



Laingsburg Local Municipality  
Annual Financial Statements  
for the year ended 30 June 2019  
These annual financial statements have not been audited.

# Laingsburg Local Municipality

(Registration number WC051)

Annual Financial Statements for the year ended 30 June 2019

## General Information

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<b>Legal form of entity</b>	Local Municipality
<b>Mayoral committee</b>	
Executive Mayor	Cllr. M Gouws
Deputy Executive Mayor	Cllr. I Brown
Speaker	Cllr. RM Louw
Councillors	Cllr. B Kleinbooi Cllr. L Potgieter Cllr. W Theron du P Cllr. B van As Cllr. M Daniels
<b>Grading of local authority</b>	Grade 1
<b>Capacity of local authority</b>	Medium
<b>Accounting Officer</b>	Mr. PA Williams
<b>Chief Finance Officer (CFO)</b>	Ms. AS Groenewald
<b>Registered office</b>	2 Van Riebeeck Street Laingsburg 6900
<b>Business address</b>	2 Van Riebeeck Street Laingsburg 6900
<b>Postal address</b>	Private Bag X4 Laingsburg 6900
<b>Bankers</b>	ABSA Bank (Primary Bank Account) Standard Bank
<b>Auditors</b>	Auditor-General of South Africa
<b>Attorneys</b>	Wilna Rouw

# Laingsburg Local Municipality

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COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
CIGFARO	Chartered Institute of Government Finance Audit and Risk Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

# **Laingsburg Local Municipality**

(Registration number WC051)

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## **Accounting Officer's Responsibilities and Approval**

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The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2020 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 5.

The annual financial statements set out on pages 7-132, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2019 and were signed on its behalf by:



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**Mr. PA Williams**  
**Municipal Manager**

# Laingsburg Local Municipality

(Registration number WC051)

Annual Financial Statements for the year ended 30 June 2019

## Accounting Officer's Report

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The accounting officer submits his report for the year ended 30 June 2019.

### 1. Review of activities

#### Main business and operations

The municipality is engaged in the main business operations of the municipality is to engage in local governance activities, which includes planning and promotion of integrated development planning, land, economic and environmental development and supplying of the following services to the community: rates and general services - all types of services rendered by the municipality, including the following; housing services - supply housing to the community and includes the rental of units owned by the municipality to public and staff; waste management services - the collection, disposal and purifying of waste, refuse and sewerage; electricity services - electricity is bought in bulk from eskom and distributed to the consumers by the municipality; and water services - supplying water to the public. and operates principally in South Africa.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Net surplus of the municipality was R 8 605 651 (2018: surplus R 6 850 521).

### 2. Going concern

We draw attention to the fact that at 30 June 2019, the municipality had an accumulated surplus of R 185 490 051 and that the municipality's current assets exceed its liabilities by R7 292 934.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality through the provision of equitable share, and additionally the accounting officer will continue to tightly manage the cashflow of the municipality.

### 3. Subsequent events

The accounting officer is not aware of any significant matter or circumstance arising since the end of the financial year.

### 4. Accounting Officer's interest in contracts

The Accounting Officer's had no interest in any contracts.

### 5. Accounting policies

The annual financial statements prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP), including any interpretations issued by the Accounting Standards Board as the prescribed framework by National Treasury.

### 6. Non-current assets

There were no significant changes in the nature of the non-current assets of the municipality during the year.

### 7. Corporate governance

#### General

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

### 8. Bankers

The municipality's bankers during the year was ABSA Bank and Standard Bank and did not change from the previous year.

# **Laingsburg Local Municipality**

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Annual Financial Statements for the year ended 30 June 2019

## **Accounting Officer's Report**

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### **9. Auditors**

Auditor-General of South Africa will continue in office for the next financial period.

### **10. Retirement benefit obligation**

Management performed an actuarial valuation of the Employee Benefits of the employer's liability arising from the post-retirement healthcare subsidy payable to current and retired employees.

The valuation is in line with the requirements of GRAP 25 and the municipality has determined the items required for disclosure in terms of this standard.

# Laingsburg Local Municipality

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Annual Financial Statements for the year ended 30 June 2019

## Statement of Financial Position as at 30 June 2019

	Note(s)	2019 R	2018 R
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	8	888 956	1 224 821
Current portion of long term receivables from exchange transactions	9	396	1 010
VAT receivable	10	3 914 615	2 915 070
Receivables from exchange transactions	11	2 708 353	2 007 568
Receivables from non-exchange transactions	12	7 690 835	8 335 478
Cash and cash equivalents	13	6 551 627	10 169 928
		<b>21 754 782</b>	<b>24 653 875</b>
<b>Non-Current Assets</b>			
Investment property	3	24 992 092	25 049 551
Property, plant and equipment	4	167 281 131	158 227 900
Intangible assets	5	370 105	441 564
Heritage assets	6	43 354	43 354
		<b>192 686 682</b>	<b>183 762 369</b>
<b>Total Assets</b>		<b>214 441 464</b>	<b>208 416 244</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Finance lease obligation	17	16 973	66 588
Payables from exchange transactions	20	8 823 682	8 269 823
Consumer deposits	21	674 022	597 053
Employee benefit obligation	7	460 337	289 416
Unspent conditional grants and receipts	18	3 788 053	9 622 303
Provisions	19	698 781	698 781
		<b>14 461 848</b>	<b>19 543 964</b>
<b>Non-Current Liabilities</b>			
Finance lease obligation	17	6 225	23 197
Employee benefit obligation	7	4 431 428	4 213 071
Provisions	19	10 051 912	7 751 611
		<b>14 489 565</b>	<b>11 987 879</b>
<b>Total Liabilities</b>		<b>28 951 413</b>	<b>31 531 843</b>
<b>Net Assets</b>		<b>185 490 051</b>	<b>176 884 401</b>
<b>Reserves</b>			
Capital replacement reserve	14	-	1 844 479
Housing development fund	16	-	1 680 451
Donations and public contribution reserve	15	-	32 994 672
Accumulated surplus		185 490 051	140 364 799
<b>Total Net Assets</b>		<b>185 490 051</b>	<b>176 884 401</b>

# Laingsburg Local Municipality

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Annual Financial Statements for the year ended 30 June 2019

## Statement of Financial Performance

	Note(s)	2019 R	2018 R
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Sale of goods		208 323	441 433
Service charges	23	17 161 717	17 548 313
Rental of facilities and equipment	24	1 353 643	1 981 170
Interest earned - exchange transactions	22	282 207	250 827
Agency services	26	150 848	159 307
Licences and permits	27	1 333 865	1 353 032
Operational revenue	31	17 580	179 949
Interest earned - bank accounts and external investments	32	785 221	577 698
<b>Total revenue from exchange transactions</b>		<b>21 293 404</b>	<b>22 491 729</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	33	3 910 433	3 521 337
Interest earned - non-exchange transactions	33	79 580	255 738
Licences and permits	28	-	1 235
Actuarial gain	7	74 114	836 056
Interest earned - current assets	30	70 566	108 565
<b>Transfer revenue</b>			
Government grants and subsidies	35	40 731 413	29 998 095
Fines, penalties and forfeits	25	33 342 121	27 726 603
<b>Total revenue from non-exchange transactions</b>		<b>78 208 227</b>	<b>62 447 629</b>
<b>Total revenue</b>	22	<b>99 501 631</b>	<b>84 939 358</b>
<b>Expenditure</b>			
Employee related costs	36	(22 931 009)	(21 687 701)
Remuneration of councillors	37	(3 028 745)	(2 752 529)
Inventory consumed	38	(2 266 844)	(1 828 325)
Depreciation and amortisation	39	(6 355 287)	(6 653 180)
Impairment loss / Reversal of impairments	40	(30 294)	-
Finance costs	41	(1 205 671)	(965 541)
Lease rentals on operating lease	29	(311 787)	(103 792)
Debt Impairment	42	(25 588 772)	(18 545 021)
Bad debts written off		-	(2 042 309)
Bulk purchases	43	(7 872 282)	(7 316 598)
Contracted services	44	(8 613 606)	(4 628 475)
Transfers and subsidies	34	(842 493)	(434 397)
Loss on disposal of assets and liabilities	48	(73 370)	(412 541)
Operational cost	45	(11 775 820)	(10 718 428)
<b>Total expenditure</b>		<b>(90 895 980)</b>	<b>(78 088 837)</b>
<b>Surplus for the year</b>		<b>8 605 651</b>	<b>6 850 521</b>



# Laingsburg Local Municipality

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## Statement of Changes in Net Assets

	Capital replacement reserve R	Capitalisation reserve R	Government grant reserve R	Total reserves R	Accumulated surplus R	Total net assets R
Opening balance as previously reported	1 770 303	1 680 451	32 994 672	36 445 426	119 021 145	155 466 571
Adjustments						
Prior year adjustments	-	-	-	-	14 493 133	14 493 133
<b>Balance at 01 July 2017 as restated*</b>	<b>1 770 303</b>	<b>1 680 451</b>	<b>32 994 672</b>	<b>36 445 426</b>	<b>133 514 278</b>	<b>169 959 704</b>
Changes in net assets						
VAT on Grant Expenditure	74 176	-	-	74 176	-	74 176
Net income (losses) recognised directly in net assets	74 176	-	-	74 176	-	74 176
Surplus for the year	-	-	-	-	6 850 521	6 850 521
Total recognised income and expenses for the year	74 176	-	-	74 176	6 850 521	6 924 697
Total changes	74 176	-	-	74 176	6 850 521	6 924 697
<b>Balance at 01 July 2018</b>	<b>1 844 479</b>	<b>1 680 451</b>	<b>32 994 672</b>	<b>36 519 602</b>	<b>140 364 798</b>	<b>176 884 400</b>
Changes in net assets						
Surplus for the year	-	-	-	-	8 605 651	8 605 651
Transfer to accumulated surplus	(1 844 479)	(1 680 451)	(32 994 672)	(36 519 602)	36 519 602	-
Total changes	(1 844 479)	(1 680 451)	(32 994 672)	(36 519 602)	45 125 253	8 605 651
<b>Balance at 30 June 2019</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>185 490 051</b>	<b>185 490 051</b>

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## Cash Flow Statement

	Note(s)	2019 R	2018 R
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Taxation		5 073 843	2 670 369
Sale of goods and services		26 065 096	24 905 262
Grants		34 432 368	35 630 158
Interest income		785 221	577 698
		<u>66 356 528</u>	<u>63 783 487</u>
<b>Payments</b>			
Employee costs		(25 312 467)	(24 061 158)
Suppliers		(30 868 043)	(23 438 093)
Finance costs		(18 433)	(15 958)
		<u>(56 198 943)</u>	<u>(47 515 209)</u>
<b>Net cash flows from operating activities</b>	47	<u><b>10 157 585</b></u>	<u><b>16 268 278</b></u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	4	(13 776 514)	(12 091 544)
Purchase of other intangible assets	5	(11 458)	-
Decrease/(increase) in non-current receivables		1 708	1 215
<b>Net cash flows from investing activities</b>		<u><b>(13 786 264)</b></u>	<u><b>(12 090 329)</b></u>
<b>Cash flows from financing activities</b>			
Finance lease payments		(66 588)	76 829
(Decrease)/increase in consumer deposits		76 969	39 683
<b>Net cash flows from financing activities</b>		<u><b>10 381</b></u>	<u><b>116 512</b></u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<u><b>(3 618 298)</b></u>	<u><b>4 294 461</b></u>
Cash and cash equivalents at the beginning of the year		10 169 928	5 875 467
<b>Cash and cash equivalents at the end of the year</b>	13	<u><b>6 551 630</b></u>	<u><b>10 169 928</b></u>

# Laingsburg Local Municipality

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## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	

### Statement of Financial Performance

#### Revenue

##### Revenue from exchange transactions

Sale of goods	-	-	-	208 323	<b>208 323</b>	Note 61
Service charges	18 619 560	(2 215 320)	<b>16 404 240</b>	17 161 717	<b>757 477</b>	Note 61
Rental of facilities and equipment	1 475 640	(135 600)	<b>1 340 040</b>	1 353 643	<b>13 603</b>	Less than 10%
Interest earned - exchange transactions	275 640	(35 640)	<b>240 000</b>	282 207	<b>42 207</b>	Note 61
Agency services	125 160	-	<b>125 160</b>	150 848	<b>25 688</b>	Note 61
Licences and permits	1 247 280	(59 120)	<b>1 188 160</b>	1 333 865	<b>145 705</b>	Note 61
Other revenue	147 720	(880)	<b>146 840</b>	17 580	<b>(129 260)</b>	Note 61
Interest earned - external investments and bank accounts	846 480	177 000	<b>1 023 480</b>	785 221	<b>(238 259)</b>	Note 61
<b>Total revenue from exchange transactions</b>	<b>22 737 480</b>	<b>(2 269 560)</b>	<b>20 467 920</b>	<b>21 293 404</b>	<b>825 484</b>	

##### Revenue from non-exchange transactions

##### Taxation revenue

Property rates	4 116 509	(326 509)	<b>3 790 000</b>	3 910 433	<b>120 433</b>	Less than 10%
Interest earned - non-exchange transactions	256 560	-	<b>256 560</b>	79 580	<b>(176 980)</b>	Note 61
Actuarial gains	-	-	-	74 114	<b>74 114</b>	Note 61
Interest earned - current assets	-	-	-	70 566	<b>70 566</b>	Note 61

##### Transfer revenue

Government grants & subsidies	20 222 400	(558 560)	<b>19 663 840</b>	16 925 566	<b>(2 738 274)</b>	Note 61
Fines, Penalties and Forfeits	34 487 640	999 040	<b>35 486 680</b>	33 342 121	<b>(2 144 559)</b>	Note 61

<b>Total revenue from non-exchange transactions</b>	<b>59 083 109</b>	<b>113 971</b>	<b>59 197 080</b>	<b>54 402 380</b>	<b>(4 794 700)</b>	
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<b>Total revenue</b>	<b>81 820 589</b>	<b>(2 155 589)</b>	<b>79 665 000</b>	<b>75 695 784</b>	<b>(3 969 216)</b>	
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#### Expenditure

Employee related costs	(25 057 560)	1 598 900	<b>(23 458 660)</b>	(22 931 009)	<b>527 651</b>	Less than 10%
Remuneration of councillors	(3 135 960)	-	<b>(3 135 960)</b>	(3 028 745)	<b>107 215</b>	Less than 10%
Inventory consumed	(982 280)	(381 440)	<b>(1 363 720)</b>	(2 266 844)	<b>(903 124)</b>	Note 61
Depreciation and amortisation	(8 561 880)	(282 250)	<b>(8 844 130)</b>	(6 355 287)	<b>2 488 843</b>	Note 61
Impairment loss/ Reversal of impairments	-	-	-	(30 294)	<b>(30 294)</b>	Note 61
Finance costs	(7 080)	-	<b>(7 080)</b>	(1 205 671)	<b>(1 198 591)</b>	Note 61
Lease rentals on operating lease	-	-	-	(311 787)	<b>(311 787)</b>	Note 61
Debt Impairment	(25 907 880)	-	<b>(25 907 880)</b>	(25 588 772)	<b>319 108</b>	
Bulk purchases	(8 109 000)	609 000	<b>(7 500 000)</b>	(7 872 282)	<b>(372 282)</b>	Less than 10%
Contracted Services	(6 454 560)	(711 520)	<b>(7 166 080)</b>	(8 613 606)	<b>(1 447 526)</b>	Note 61
Transfers and Subsidies	(351 240)	-	<b>(351 240)</b>	(842 493)	<b>(491 253)</b>	Note 61
Operational cost	(12 519 960)	(1 209 360)	<b>(13 729 320)</b>	(11 775 820)	<b>1 953 500</b>	Note 61
<b>Total expenditure</b>	<b>(91 087 400)</b>	<b>(376 670)</b>	<b>(91 464 070)</b>	<b>(90 822 610)</b>	<b>641 460</b>	

# Laingsburg Local Municipality

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## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual R	Reference
	R	R	R	R	R	
<b>Operating deficit</b>	<b>(9 266 811)</b>	<b>(2 532 259)</b>	<b>(11 799 070)</b>	<b>(15 126 826)</b>	<b>(3 327 756)</b>	
Loss on disposal of assets and liabilities	-	-	-	(73 370)	<b>(73 370)</b>	Note 61
Transfers and subsidies - capital	10 366 600	13 595 680	<b>23 962 280</b>	13 071 286	<b>(10 890 994)</b>	Note 61
	<b>10 366 600</b>	<b>13 595 680</b>	<b>23 962 280</b>	<b>12 997 916</b>	<b>(10 964 364)</b>	
<b>Deficit before taxation</b>	<b>1 099 789</b>	<b>11 063 421</b>	<b>12 163 210</b>	<b>(2 128 910)</b>	<b>(14 292 120)</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>1 099 789</b>	<b>11 063 421</b>	<b>12 163 210</b>	<b>(2 128 910)</b>	<b>(14 292 120)</b>	

# Laingsburg Local Municipality

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Annual Financial Statements for the year ended 30 June 2019

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual R	Reference
	R	R	R	R	R	
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Inventories	863 630	-	<b>863 630</b>	888 956	<b>25 326</b>	Less than 10%
Current portion of long term receivables from exchange transactions	1 010	-	<b>1 010</b>	396	<b>(614)</b>	Immaterial
Receivables from non-exchange transactions	12 756 306	820 417	<b>13 576 723</b>	7 690 835	<b>(5 885 888)</b>	Note 61
VAT receivable	-	-	-	3 914 615	<b>3 914 615</b>	Note 61
Receivables from exchange transactions	3 503 132	(90 789)	<b>3 412 343</b>	2 708 353	<b>(703 990)</b>	Note 61
Cash and cash equivalents	(5 911 613)	11 101 671	<b>5 190 058</b>	6 551 627	<b>1 361 569</b>	Note 61
	<b>11 212 465</b>	<b>11 831 299</b>	<b>23 043 764</b>	<b>21 754 782</b>	<b>(1 288 982)</b>	
<b>Non-Current Assets</b>						
Investment property	24 923 071	-	<b>24 923 071</b>	24 992 092	<b>69 021</b>	Less than 10%
Property, plant and equipment	168 003 331	2 218 325	<b>170 221 656</b>	167 281 131	<b>(2 940 525)</b>	Less than 10%
Intangible assets	140 484	-	<b>140 484</b>	370 105	<b>229 621</b>	Less than 10%
Heritage assets	43 354	-	<b>43 354</b>	43 354	-	Less than 10%
	<b>193 110 240</b>	<b>2 218 325</b>	<b>195 328 565</b>	<b>192 686 682</b>	<b>(2 641 883)</b>	
<b>Total Assets</b>	<b>204 322 705</b>	<b>14 049 624</b>	<b>218 372 329</b>	<b>214 441 464</b>	<b>(3 930 865)</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Finance lease obligation	16 972	-	<b>16 972</b>	16 973	<b>1</b>	Immaterial
Payables from exchange transactions	8 010 266	252 222	<b>8 262 488</b>	8 823 682	<b>561 194</b>	Less than 10%
Consumer deposits	590 700	32 375	<b>623 075</b>	674 022	<b>50 947</b>	Less than 10%
Employee benefit obligation	4 502 489	(4 178 343)	<b>324 146</b>	460 337	<b>136 191</b>	Less than 10%
Unspent conditional grants and receipts	12 543 253	(12 543 253)	-	3 788 053	<b>3 788 053</b>	Note 61
Provisions	698 781	139 756	<b>838 537</b>	698 781	<b>(139 756)</b>	Less than 10%
	<b>26 362 461</b>	<b>(16 297 243)</b>	<b>10 065 218</b>	<b>14 461 848</b>	<b>4 396 630</b>	
<b>Non-Current Liabilities</b>						
Finance lease obligation	6 225	-	<b>6 225</b>	6 225	-	Immaterial
Employee benefit obligation	-	4 423 727	<b>4 423 727</b>	4 431 428	<b>7 701</b>	Less than 10%
Provisions	7 751 611	-	<b>7 751 611</b>	10 051 912	<b>2 300 301</b>	Note 61
	<b>7 757 836</b>	<b>4 423 727</b>	<b>12 181 563</b>	<b>14 489 565</b>	<b>2 308 002</b>	
<b>Total Liabilities</b>	<b>34 120 297</b>	<b>(11 873 516)</b>	<b>22 246 781</b>	<b>28 951 413</b>	<b>6 704 632</b>	
<b>Net Assets</b>	<b>170 202 408</b>	<b>25 923 140</b>	<b>196 125 548</b>	<b>185 490 051</b>	<b>(10 635 497)</b>	

# Laingsburg Local Municipality

(Registration number WC051)

Annual Financial Statements for the year ended 30 June 2019

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual R	Reference
	R	R	R	R	R	
<b>Net Assets</b>						
<b>Net Assets Attributable to Owners of Controlling Entity</b>						
<b>Reserves</b>						
Capital replacement reserve	1 844 479	-	<b>1 844 479</b>	-	<b>(1 844 479)</b>	
Housing development fund reserve	1 680 451	-	<b>1 680 451</b>	-	<b>(1 680 451)</b>	
Donations and public contributions reserve	32 994 672	-	<b>32 994 672</b>	-	<b>(32 994 672)</b>	Note 61
Accumulated surplus	133 682 806	25 923 140	<b>159 605 946</b>	185 490 051	<b>25 884 105</b>	Note 61
<b>Total Net Assets</b>	<b>170 202 408</b>	<b>25 923 140</b>	<b>196 125 548</b>	<b>185 490 051</b>	<b>(10 635 497)</b>	

# Laingsburg Local Municipality

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Annual Financial Statements for the year ended 30 June 2019

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual R	Reference
	R	R	R	R	R	
<b>Cash Flow Statement</b>						
<b>Cash flows from operating activities</b>						
<b>Receipts</b>						
Property rates	3 935 762	(293 858)	<b>3 641 904</b>	5 073 483	<b>1 431 579</b>	Note 61
Service charges	19 005 120	(2 295 771)	<b>16 709 349</b>	16 709 349	-	Note 61
Grants	30 589 000	13 037 120	<b>43 626 120</b>	34 400 267	<b>(9 225 853)</b>	Note 61
Interest income	846 480	177 000	<b>1 023 480</b>	785 221	<b>(238 259)</b>	Note 61
Other receipts	8 419 512	172 183	<b>8 591 695</b>	10 983 501	<b>2 391 806</b>	Note 61
	<b>62 795 874</b>	<b>10 796 674</b>	<b>73 592 548</b>	<b>67 951 821</b>	<b>(5 640 727)</b>	
<b>Payments</b>						
Suppliers and employees	(55 805 909)	304 997	<b>(55 500 912)</b>	(56 933 307)	<b>(1 432 395)</b>	Note 61
Finance costs	(7 080)	-	<b>(7 080)</b>	(18 433)	<b>(11 353)</b>	Immaterial
Transfers and grants	(351 240)	-	<b>(351 240)</b>	(842 493)	<b>(491 253)</b>	Note 61
	<b>(56 164 229)</b>	<b>304 997</b>	<b>(55 859 232)</b>	<b>(57 794 233)</b>	<b>(1 935 001)</b>	
<b>Net cash flows from operating activities</b>	<b>6 631 645</b>	<b>11 101 671</b>	<b>17 733 316</b>	<b>10 157 588</b>	<b>(7 575 728)</b>	
<b>Cash flows from investing activities</b>						
Purchase of property, plant and equipment	(22 646 598)	-	<b>(22 646 598)</b>	(13 787 972)	<b>8 858 626</b>	Note 61
Decrease/(increase) in non-current receivables	-	-	-	1 708	<b>1 708</b>	
<b>Net cash flows from investing activities</b>	<b>(22 646 598)</b>	<b>-</b>	<b>(22 646 598)</b>	<b>(13 786 264)</b>	<b>8 860 334</b>	
<b>Cash flows from financing activities</b>						
Repayment of other financial liabilities	(66 588)	-	<b>(66 588)</b>	(66 588)	-	Note 61
Increase (decrease) in consumer deposits	-	-	-	76 969	<b>76 969</b>	
<b>Net cash flows from financing activities</b>	<b>(66 588)</b>	<b>-</b>	<b>(66 588)</b>	<b>10 381</b>	<b>76 969</b>	
Net increase/(decrease) in cash and cash equivalents	(16 081 541)	11 101 671	<b>(4 979 870)</b>	(3 618 295)	<b>1 361 575</b>	
Cash and cash equivalents at the beginning of the year	10 169 928	-	<b>10 169 928</b>	-	<b>(10 169 928)</b>	
<b>Cash and cash equivalents at the end of the year</b>	<b>(5 911 613)</b>	<b>11 101 671</b>	<b>5 190 058</b>	<b>(3 618 295)</b>	<b>(8 808 353)</b>	

Material differences between the adjustment budget and actual amounts are deemed material if it differs with more than 10%.

Refer to note 61 for these material differences explained.

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## Appropriation Statement

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
<b>2019</b>											
<b>Financial Performance</b>											
Property rates	4 116 509	(326 509)	3 790 000	-		3 790 000	3 910 433		120 433	103 %	95 %
Service charges	18 619 560	(2 215 320)	16 404 240	-		16 404 240	17 161 717		757 477	105 %	92 %
Investment revenue	846 480	177 000	1 023 480	-		1 023 480	785 221		(238 259)	77 %	93 %
Transfers recognised - operational	20 222 400	(558 560)	19 663 840	-		19 663 840	21 463 525		1 799 685	109 %	106 %
Other own revenue	38 015 640	767 800	38 783 440	-		38 783 440	36 912 847		(1 870 593)	95 %	97 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>81 820 589</b>	<b>(2 155 589)</b>	<b>79 665 000</b>	<b>-</b>		<b>79 665 000</b>	<b>80 233 743</b>		<b>568 743</b>	<b>101 %</b>	<b>98 %</b>
Employee costs	(25 057 560)	1 598 900	(23 458 660)	-	-	(23 458 660)	(22 931 009)	-	527 651	98 %	92 %
Remuneration of councillors	(3 135 960)	-	(3 135 960)	-	-	(3 135 960)	(3 028 745)	-	107 215	97 %	97 %
Debt impairment	(25 907 880)	-	(25 907 880)			(25 907 880)	(25 588 772)	-	319 108	99 %	99 %
Depreciation and asset impairment	(8 561 880)	(282 250)	(8 844 130)			(8 844 130)	(6 385 581)	-	2 458 549	72 %	75 %
Finance charges	(7 080)	-	(7 080)	-	-	(7 080)	(1 205 671)	-	(1 198 591)	17 029 %	17 029 %
Materials and bulk purchases	(9 091 280)	227 560	(8 863 720)	-	-	(8 863 720)	(10 139 126)	-	(1 275 406)	114 %	112 %
Transfers and grants	(351 240)	-	(351 240)	-	-	(351 240)	(842 493)	-	(491 253)	240 %	240 %
Other expenditure	(18 974 520)	(1 920 880)	(20 895 400)	-	-	(20 895 400)	(20 774 583)	-	120 817	99 %	109 %
<b>Total expenditure</b>	<b>(91 087 400)</b>	<b>(376 670)</b>	<b>(91 464 070)</b>	<b>-</b>	<b>-</b>	<b>(91 464 070)</b>	<b>(90 895 980)</b>	<b>-</b>	<b>568 090</b>	<b>99 %</b>	<b>100 %</b>
<b>Surplus/(Deficit)</b>	<b>(9 266 811)</b>	<b>(2 532 259)</b>	<b>(11 799 070)</b>	<b>-</b>		<b>(11 799 070)</b>	<b>(10 662 237)</b>		<b>1 136 833</b>	<b>90 %</b>	<b>115 %</b>



# Laingsburg Local Municipality

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## Appropriation Statement

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
Transfers recognised - capital	10 366 600	13 595 680	23 962 280	-		23 962 280	19 267 888		(4 694 392)	80 %	186 %
<b>Surplus (Deficit) after capital transfers and contributions</b>	<b>1 099 789</b>	<b>11 063 421</b>	<b>12 163 210</b>	<b>-</b>		<b>12 163 210</b>	<b>8 605 651</b>		<b>(3 557 559)</b>	<b>71 %</b>	<b>782 %</b>
<b>Surplus/(Deficit) for the year</b>	<b>1 099 789</b>	<b>11 063 421</b>	<b>12 163 210</b>	<b>-</b>		<b>12 163 210</b>	<b>8 605 651</b>		<b>(3 557 559)</b>	<b>71 %</b>	<b>782 %</b>
<b>Capital expenditure and funds sources</b>											
Total capital expenditure	10 366 598	12 280 000	22 646 598	-		22 646 598	13 776 514		(8 870 084)	61 %	133 %
<b>Cash flows</b>											
Net cash from (used) operating	6 631 645	11 101 671	17 733 316	-		17 733 316	10 157 585		(7 575 731)	57 %	153 %
Net cash from (used) investing	(22 646 598)	-	(22 646 598)	-		(22 646 598)	(13 786 264)		8 860 334	61 %	61 %
Net cash from (used) financing	(66 588)	-	(66 588)	-		(66 588)	10 381		76 969	(16)%	(16)%
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(16 081 541)</b>	<b>11 101 671</b>	<b>(4 979 870)</b>	<b>-</b>		<b>(4 979 870)</b>	<b>(3 618 298)</b>		<b>1 361 572</b>	<b>73 %</b>	<b>22 %</b>
Cash and cash equivalents at the beginning of the year	10 169 928	-	10 169 928	-		10 169 928	10 169 928		-	100 %	100 %
<b>Cash and cash equivalents at year end</b>	<b>(5 911 613)</b>	<b>11 101 671</b>	<b>5 190 058</b>	<b>-</b>		<b>5 190 058</b>	<b>6 551 630</b>		<b>(1 361 572)</b>	<b>126 %</b>	<b>(111)%</b>

# Laingsburg Local Municipality

(Registration number WC051)

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

Assets, liabilities, revenues and expenses have not been offset, except when offsetting is either required or permitted by a standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

#### 1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality. Financial values are rounded to the nearest one Rand. No foreign exchange transactions are included in the annual financial statements.

#### 1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

#### 1.3 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

#### 1.4 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

##### Receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis. For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default payments are all considered indicators of impairment.

##### Allowance for slow moving, damaged and obsolete stock

An assessment is made of net realisable value at the end of each reporting period. A write down of inventory to the lower of cost or net realisable value is subsequently provided. Management has made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

# Laingsburg Local Municipality

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Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

---

### 1.4 Significant judgements and sources of estimation uncertainty (continued)

#### Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

#### Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the recoverable amount assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

Value in use of cash generating assets:

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors, together with economic factors such as exchange rates, inflation and interest rates.

Value in use of non-cash generating assets:

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependant on the availability of data and the nature of the impairment.

#### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 19 - Provisions.

#### Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipment and other assets. This estimate is based on industry norm and on the pattern in which an asset's future economic benefits or service potential are expected to be consumed by the municipality. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives and decrease the depreciation charge where useful lives are more than previously estimated useful lives.

# Laingsburg Local Municipality

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Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

---

### 1.4 Significant judgements and sources of estimation uncertainty (continued)

#### Post retirement and other long-term benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the post retirement and longterm obligations. In determining the appropriate discount rate, the municipality considers market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match estimated maturity of all the benefit payments, the municipality uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for maturities by extrapolating current market rates along the yield curve.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 7.

#### Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

#### Allowance for impairment of financial assets

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

#### Comparative information

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

The Municipal Regulations on Standard Chart of Accounts (mSCOA) came into effect on 1 July 2017. The mSCOA Charts are updated annually by National Treasury. The municipality has realigned items in the annual financial statements with the Item Segment of mSCOA Version 6.2, on which the municipality was required to transacted for periods after 1 July 2018. The result of this process was a reclassification and naming of items in the annual financial statements. The reclassification of 2018 audited amounts is set out in Note 52 of the annual financial statements.

#### Amended disclosure policy

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the annual financial statements. The principle amendments to matters disclosed in the current annual financial statements include errors.

### 1.5 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

# Laingsburg Local Municipality

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Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.5 Investment property (continued)

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

#### Cost model

Investment property is measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	Indefinite
Property - buildings	20 - 30 years

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

- Property that is owner-occupied, for example, a building that is occupied by the entity for administrative purposes or to supply goods and services;
- Property, i.e. housing, rented to employees, regardless of whether the rent is market related or not; and
- Property held to provide a social service and which also generates cash inflows, for example, an entity rents out one of its properties (buildings) to other properties on an ad-hoc basis. The rental revenue received is incidental to the purpose for which the property is held; therefore it is treated as property, plant and equipment and not investment property.

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 3).

### 1.6 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

# Laingsburg Local Municipality

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Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.6 Property, plant and equipment (continued)

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is measured at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

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Item	Depreciation method	Average useful life in years
Land	Straight line	Indefinite
Buildings	Straight line	10 - 100
Plant and equipment	Straight line	3 - 33
Furniture and fixtures	Straight line	1 - 40
General vehicles	Straight line	6 - 39
Specialised vehicles	Straight line	12
Computer hardware / equipment	Straight line	5 - 24
Cemeteries	Straight line	15 - 95
Sport fields and stadium	Straight line	15 - 95
Museums and art galleries	Straight line	15 - 60
Halls	Straight line	15 - 95
Libraries	Straight line	30 - 95
Parks and gardens	Straight line	20 - 50
Road transport	Straight line	10 - 60
Electricity supply	Straight line	45 - 60
Water supply	Straight line	4 - 60
Sanitation and refuse	Straight line	15 - 60
Other infrastructure	Straight line	15 - 60

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate in terms of the Standard of GRAP on Accounting Policies, Changes in Estimates and Errors.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

# Laingsburg Local Municipality

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Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.6 Property, plant and equipment (continued)

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 4).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 4).

### 1.7 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

### 1.8 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially measured at cost.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Intangible assets are measured at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

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### 1.8 Intangible assets (continued)

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

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Item	Depreciation method	Average useful life in years
Computer hardware / equipment	Straight line	5 - 25

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Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

### 1.9 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

#### Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

#### Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

#### Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

#### Impairment

The municipality assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

#### Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

#### Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).



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### 1.10 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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### 1.10 Financial instruments (continued)

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

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### 1.10 Financial instruments (continued)

#### Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Long-term receivables from exchange transactions	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Unspent conditional grants and subsidies	Financial liability measured at amortised cost

#### Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

#### Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

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### 1.10 Financial instruments (continued)

#### Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

#### Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

#### Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

#### Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

#### Impairment and uncollectibility of financial assets

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

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### 1.10 Financial instruments (continued)

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

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### 1.10 Financial instruments (continued)

#### Derecognition

##### Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

##### Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

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### 1.11 Statutory receivables

#### Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

#### Recognition

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

#### Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

#### Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

#### Accrued interest

Where the municipality levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate.

Interest on statutory receivables is recognised as revenue in accordance with the policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

#### Other charges

Where the municipality is required or entitled in terms of legislation, supporting regulations, by-laws or similar means to levy additional charges on overdue or unpaid amounts, and such charges are levied, the entity applies the principles as stated in "Accrued interest" above, as well as the relevant policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers).

#### Impairment losses

The municipality assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

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### 1.11 Statutory receivables (continued)

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:

- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced, either directly or through the use of an allowance account. The amount of the losses are recognised in surplus or deficit.

In estimating the future cash flows, an municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the entity discounts the estimated future cash flows using a rate that reflects the current risk free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted either directly or by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

### Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
  - derecognise the receivable; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

### 1.12 Leases

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.



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### 1.12 Leases (continued)

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment, investment property or intangibles assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

#### Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

#### Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

#### Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in the statement of financial performance.

#### Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

Any contingent rent is expected in the period in which they are incurred.

### 1.13 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

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### 1.13 Inventories (continued)

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### 1.14 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. An asset generates a commercial return when it is developed in a manner consistent with that adopted by a profit-orientated entity.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash generating assets are as follow:

Cash-generating assets are assets that are held with the primary objective of generating a commercial return. Assets will generate a commercial return when the municipality intends to generate positive cash flow from the assets similar to a profit-orientated identity and not held primarily for service delivery.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

#### Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

#### Value in use

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

# Laingsburg Local Municipality

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## Accounting Policies

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### 1.14 Impairment of cash-generating assets (continued)

#### Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

#### Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

#### Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

# Laingsburg Local Municipality

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## Accounting Policies

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### 1.14 Impairment of cash-generating assets (continued)

#### Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

#### Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

### 1.15 Impairment of non-cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is developed in a manner consistent with that adopted by a profit-orientated entity.

Non-cash-generating assets are assets other than cash-generating assets.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash generating assets are as follow:

Cash-generating assets are assets that are held with the primary objective of generating a commercial return. Assets will generate a commercial return when the municipality intends to generate positive cash flow from the assets similar to a profit-orientated identity and not held primarily for service delivery.

# Laingsburg Local Municipality

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## Accounting Policies

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### 1.15 Impairment of non-cash-generating assets (continued)

#### Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

#### Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

#### Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

#### Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

# Laingsburg Local Municipality

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### 1.15 Impairment of non-cash-generating assets (continued)

#### Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

#### Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

### 1.16 Employee benefits

#### Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognises the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

# Laingsburg Local Municipality

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Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.16 Employee benefits (continued)

#### Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

#### Multi-employer plans and/or State plans and/or Composite social security programmes

The entity classifies a multi-employer plan and/or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the entity accounts for in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the entity account for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the entity account for the plan as if it was a defined contribution plan.

#### Insured benefits

Where the entity pays insurance premiums to fund a post-employment benefit plan, the entity treats such a plan as a defined contribution plan unless the entity will have (either directly or indirectly through the plan) a legal or constructive obligation to either:

- pay the employee benefits directly when they fall due; or
- pay further amounts if the insurer does not pay all future employee benefits relating to employee service in the current and prior reporting periods.

If the entity retains such a legal or constructive obligation, the entity treats the plan as a defined benefit plan.

#### Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

# Laingsburg Local Municipality

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Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.16 Employee benefits (continued)

#### Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.



# Laingsburg Local Municipality

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Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.16 Employee benefits (continued)

The entity determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

# Laingsburg Local Municipality

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Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.16 Employee benefits (continued)

#### Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
  - those changes were enacted before the reporting date; or
  - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

#### Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

# Laingsburg Local Municipality

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Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.16 Employee benefits (continued)

#### Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

### 1.17 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note .

# Laingsburg Local Municipality

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## Accounting Policies

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### 1.17 Provisions and contingencies (continued)

#### Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.14 and 1.15.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

### 1.18 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancelable or only cancelable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

### 1.19 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

#### Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

#### Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

# Laingsburg Local Municipality

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## Accounting Policies

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### 1.19 Revenue from exchange transactions (continued)

#### Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

#### Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

### 1.20 Revenue from non-exchange transactions

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

#### Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

# Laingsburg Local Municipality

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### 1.20 Revenue from non-exchange transactions (continued)

#### Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

#### Property rates

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

#### Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

#### Debt forgiveness and assumption of liabilities

The municipality recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

#### Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

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## Accounting Policies

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### 1.20 Revenue from non-exchange transactions (continued)

#### Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

#### Services in-kind

Except for financial guarantee contracts, the municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

#### Concessionary loans received

A concessionary loan is a loan granted to or received by a property, plant and equipment on terms that are not market related.

The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists the cash flow statement recognises revenue as and when it satisfies the conditions of the loan agreement.

### 1.21 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

### 1.22 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

### 1.23 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

### 1.24 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.25 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

# Laingsburg Local Municipality

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## Accounting Policies

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### 1.25 Fruitless and wasteful expenditure (continued)

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.26 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.27 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.



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## Accounting Policies

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### 1.28 Internal reserves

#### Capital replacement reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, funds are transferred from the accumulated surplus/(deficit) to the CRR. The cash funds in the CRR can only be utilised for the purpose of purchasing / construction of items of property, plant and equipment and may not be used for the maintenance of these items. The CRR is reduced and the accumulated surplus/(deficit) is credited by a corresponding amount when the amounts in the CRR are utilised.

#### Government grant reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/deficit to the Government Grants Reserve equal to the Government Grant recorded as revenue in the statement of financial performance in accordance with a directive issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/deficit. The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/deficit.

The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus.

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/deficit.

#### Donations and public contributions reserve

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus/deficit to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the statement of financial performance in accordance with a directive issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus/deficit. The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions.

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the accumulated surplus/deficit.

### 1.29 Accumulated surplus

The accumulated surplus represents the net difference between the total assets and the total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are debited / credited against accumulated surplus / deficit. Prior year adjustments, relating to income and expenditure, are debited / credited against accumulated surplus when retrospective adjustments are made.

### 1.30 Budget information

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts is disclosed as separate additional financial statements, namely Statements of Comparison of Budget and Actual Amounts.

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2018/07/01 to 2019/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

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## Accounting Policies

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### 1.30 Budget information (continued)

Explanations for differences between the approved and final budget are included in the Notes to the Annual Financial Statements.

Explanations for material differences between the final budget amounts and actual amounts are included in the Notes to the Annual Financial Statements.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.

### 1.31 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

### 1.32 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

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Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R
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### 2. New standards and interpretations

#### 2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2019 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 104 (amended): Financial Instruments	Unknown	No significant impact expected as no such transactions or events are expected in the foreseeable future.
• GRAP 34: Separate Financial Statements	Unknown	No significant impact expected as no such transactions or events are expected in the foreseeable future.
• GRAP 35: Consolidated Financial Statements	Unknown	No significant impact expected as no such transactions or events are expected in the foreseeable future.
• GRAP 36: Investments in Associates and Joint Ventures	Unknown	No significant impact expected as no such transactions or events are expected in the foreseeable future.
• GRAP 37: Joint Arrangements	Unknown	No significant impact expected as no such transactions or events are expected in the foreseeable future.
• GRAP 38: Disclosure of Interests in Other Entities	Unknown	No significant impact expected as no such transactions or events are expected in the foreseeable future.
• GRAP 110 (as amended 2016): Living and Non-living Resources	01 April 2020	No significant impact expected as no such transactions or events are expected in the foreseeable future.
• GRAP 20: Related parties	01 April 2019	The Municipality resolved to adopt some of the disclosure requirements as per GRAP 20. Additional disclosure will be required with the full implementation of the Standard.
• GRAP 32: Service Concession Arrangements: Grantor	01 April 2019	No significant impact expected as no such transactions or events are expected in the foreseeable future.

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## Notes to the Annual Financial Statements

### 2. New standards and interpretations (continued)

• GRAP 108: Statutory Receivables	01 April 2019	The Municipality has resolved to adopt the principles as set out in GRAP 108 to formulate its own accounting policy. No significant impact expected as the Municipality's current treatment is already in line with the Standards treatment. No such transactions or events are expected in the foreseeable future. No significant impact expected as the Municipality's current treatment is already in line with the Interpretation. No significant impact expected as the Municipality's current treatment is already in line with the Interpretation.
• GRAP 109: Accounting by Principals and Agents	01 April 2019	
• IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2019	
• IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land	01 April 2019	
• IGRAP 19: Liabilities to Pay Levies	01 April 2019	

### 3. Investment property

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	25 898 347	(906 255)	24 992 092	25 898 347	(848 796)	25 049 551

#### Reconciliation of investment property - 2019

	Opening balance	Depreciation	Total
Investment property	25 049 551	(57 459)	24 992 092

#### Reconciliation of investment property - 2018

	Opening balance	Depreciation	Total
Investment property	25 107 010	(57 459)	25 049 551

#### Pledged as security

None of the above Investment Properties have been pledged as security.

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## Notes to the Annual Financial Statements

	2019 R	2018 R
<b>3. Investment property (continued)</b>		
<b>Details of property</b>		
<b>Land</b>		
Terms and conditions		
- Cost	20 328 847	20 328 847
<b>Buildings</b>		
Terms and conditions		
- Cost	5 569 500	5 569 500
- Accumulated depreciation	(906 256)	(848 796)
	<b>4 663 244</b>	<b>4 720 704</b>
A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.		
<b>Amounts recognised in surplus or deficit</b>		
Rental revenue from Investment property	1 189 466	1 261 904
<b>From Investment property that did not generate rental revenue</b>		
Repairs and maintenance	-	14 936

# Laingsburg Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand

### 4. Property, plant and equipment

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	15 374 641	-	15 374 641	15 374 641	-	15 374 641
Buildings	9 558 460	(7 324 815)	2 233 645	9 558 460	(7 244 687)	2 313 773
Plant and machinery	2 000 142	(925 378)	1 074 764	2 387 675	(1 303 181)	1 084 494
Furniture and fixtures	1 066 771	(508 744)	558 027	1 698 091	(1 011 989)	686 102
Motor vehicles	5 526 017	(2 602 918)	2 923 099	5 584 792	(2 321 093)	3 263 699
Computer software / equipment	511 584	(274 470)	237 114	509 801	(242 568)	267 233
Infrastructure	202 139 186	(103 151 154)	98 988 032	199 849 184	(98 583 980)	101 265 204
Community	23 249 618	(12 985 962)	10 263 656	23 249 618	(12 490 178)	10 759 440
Landfill site	9 685 268	(2 046 558)	7 638 710	8 089 975	(1 614 885)	6 475 090
Infrastructure under construction	27 916 510	-	27 916 510	16 578 731	-	16 578 731
Finance leases	454 038	(381 105)	72 933	454 038	(294 545)	159 493
<b>Total</b>	<b>297 482 235</b>	<b>(130 201 104)</b>	<b>167 281 131</b>	<b>283 335 006</b>	<b>(125 107 106)</b>	<b>158 227 900</b>

# Laingsburg Local Municipality

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Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand

### 4. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Transfers	Change in restoration cost	Depreciation	Impairment loss	Total
Land	15 374 641	-	-	-	-	-	-	15 374 641
Buildings	2 313 773	-	-	-	-	(80 128)	-	2 233 645
Plant and machinery	1 084 494	98 147	(14 325)	-	-	(93 450)	(102)	1 074 764
Furniture and fixtures	686 102	15 892	(45 690)	-	-	(95 927)	(2 350)	558 027
Motor vehicles	3 263 699	-	(1 024)	-	-	(313 985)	(25 591)	2 923 099
Computer software	267 233	34 694	(12 329)	-	-	(50 233)	(2 251)	237 114
Infrastructure	101 265 204	2 290 002	-	-	-	(4 567 174)	-	98 988 032
Community	10 759 440	-	-	-	-	(495 784)	-	10 263 656
Landfill site	6 475 090	-	-	-	1 595 293	(431 673)	-	7 638 710
Infrastructure under construction	16 578 731	13 055 850	-	(1 718 071)	-	-	-	27 916 510
Finance leases	159 493	-	-	-	-	(86 560)	-	72 933
	<b>158 227 900</b>	<b>15 494 585</b>	<b>(73 368)</b>	<b>(1 718 071)</b>	<b>1 595 293</b>	<b>(6 214 914)</b>	<b>(30 294)</b>	<b>167 281 131</b>

#### Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Transfers	Change in restoration cost	Depreciation	Total
Land	15 374 641	-	-	-	-	-	15 374 641
Buildings	2 399 366	-	-	-	-	(85 593)	2 313 773
Plant and machinery	1 686 013	-	(280 711)	-	-	(320 808)	1 084 494
Furniture and fixtures	964 267	10 266	(86 711)	-	-	(201 720)	686 102
Motor vehicles	3 580 332	-	-	-	-	(316 633)	3 263 699
Computer software	408 476	-	(45 118)	-	-	(96 125)	267 233
Infrastructure	103 320 329	2 412 239	-	-	-	(4 467 364)	101 265 204
Community	9 852 775	1 383 522	-	-	-	(476 857)	10 759 440
Landfill Site	4 443 781	-	-	-	2 309 045	(277 736)	6 475 090
Assets under construction	7 670 338	9 972 285	-	(1 063 892)	-	-	16 578 731
Finance leases	246 053	-	-	-	-	(86 560)	159 493
	<b>149 946 371</b>	<b>13 778 312</b>	<b>(412 540)</b>	<b>(1 063 892)</b>	<b>2 309 045</b>	<b>(6 329 396)</b>	<b>158 227 900</b>

# Laingsburg Local Municipality

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Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

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### 4. Property, plant and equipment (continued)

#### Pledged as security

None of the above Property, Plant and Equipment has been pledged as security.

#### Reconciliation of Work-in-Progress 2019

	Infrastructure Assets	Community Assets	Total
Opening balance	16 260 905	317 826	16 578 731
Additions/capital expenditure	13 055 850	-	13 055 850
Transferred to infrastructure additions	(1 400 330)	(317 826)	(1 718 156)
	<b>27 916 425</b>	<b>-</b>	<b>27 916 425</b>

#### Reconciliation of Work-in-Progress 2018

	Infrastructure Assets	Community Assets	Total
Opening balance	6 288 620	317 826	6 606 446
Additions/capital expenditure	9 972 285	-	9 972 285
	<b>16 260 905</b>	<b>317 826</b>	<b>16 578 731</b>

#### Expenditure incurred to repair and maintain property, plant and equipment

#### Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Contracted services	1 873 607	913 740
Labour	32 916	59 640
Material	63 364	122 686
	<b>1 969 887</b>	<b>1 096 066</b>

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

### 5. Intangible assets

	2019			2018		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	1 697 511	(1 327 406)	370 105	1 686 053	(1 244 489)	441 564

#### Reconciliation of intangible assets - 2019

	Opening balance	Additions	Amortisation	Total
Computer software	441 564	11 458	(82 917)	370 105



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### 5. Intangible assets (continued)

#### Reconciliation of intangible assets - 2018

	Opening balance	Amortisation	Total
Computer software	708 130	(266 566)	441 564

#### Pledged as security

None of the above Intangible Assets have been pledged as security.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

### 6. Heritage assets

	2019			2018		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical monuments	43 354	-	43 354	43 354	-	43 354

#### Reconciliation of heritage assets 2019

	Opening balance	Total
Historical monuments	43 354	43 354

#### Reconciliation of heritage assets 2018

	Opening balance	Total
Historical monuments	43 354	43 354

#### Pledged as security

None of the above heritage assets have been pledged as security.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

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## Notes to the Annual Financial Statements

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### 7. Employee benefit obligations

#### Defined benefit plan

##### Post retirement medical benefit plan

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2019 by Arch Actuarial Consulting. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit funding method.

The plan is post employment medical aid benefit.

#### Long service awards

A long service award is payable after 10 years of continuous service and every 5 years thereafter to employees. Furthermore a retirement gift is payable on retirement to employees with service of 10 years or more. The provision is an estimate of the long service awards based on historical staff turnover, taking into account management's estimate of the likelihood that staff may leave before long service awards become due. No other long service benefits are provided to employees.

The amounts recognised in the statement of financial position are as follows:

#### Carrying value

Present value of the defined benefit obligation-wholly unfunded	(3 626 158)	(3 408 535)
Long service awards	(1 265 607)	(1 093 952)
	<b>(4 891 765)</b>	<b>(4 502 487)</b>
Non-current liabilities	(4 431 428)	(4 213 071)
Current liabilities	(460 337)	(289 416)
	<b>(4 891 765)</b>	<b>(4 502 487)</b>

Changes in the present value of the Post Employment Medical Aid obligation are as follows:

Opening balance	3 408 535	3 509 000
Net expense recognised in the statement of financial performance	217 623	(100 465)
	<b>3 626 158</b>	<b>3 408 535</b>

Net expense recognised in the statement of financial performance: Post Employment Medical Aid

Current service cost	147 083	137 000
Interest cost	326 253	354 000
Actuarial (gains) losses	(185 266)	(833 367)
Benefits paid	(70 447)	(54 156)
Policy correction	-	296 058
	<b>217 623</b>	<b>(100 465)</b>

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	2019 R	2018 R
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### 7. Employee benefit obligations (continued)

Changes in the present value of the Long Service Awards obligation are as follows:

Opening balance	1 093 952	976 400
Net expense recognised in the statement of financial performance	171 655	117 552
	<b>1 265 607</b>	<b>1 093 952</b>

#### Net expense recognised in the statement of financial performance: Long Service Awards

Current service cost	85 064	80 954
Interest cost	88 886	81 897
Actuarial (gains) losses	111 152	(2 689)
Expected benefits investing	(113 447)	(42 610)
	<b>171 655</b>	<b>117 552</b>

#### Key assumptions used

Assumptions used at the reporting date:

Discount rates used (PEMA)	9,58 %	9,67 %
Health care cost inflation rate	6,98 %	7,44 %
Net-of-health-care-cost-inflation discount rate	2,43 %	2,08 %
Maximum subsidy inflation rate	4,86 %	5,21 %
Net-of-maximum-subsidy-inflation discount rate	4,50 %	4,24 %
Discount rates used (LSA)	8,19 %	8,56 %
General earnings inflation rate (long-term)	5,58 %	6,17 %
Net discount rate	2,47 %	2,25 %

The next contribution rate increase is assumed to occur at 1 January 2020 (post retirement medical aid).

The earnings used in the valuation include an increase on 1 July 2019 of 6.50% as per the SALGBC Circular No.: 01/2019. The next earnings increase is assumed to take place on 1 July 2020 (long service awards).

#### Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

Amounts for the current and previous four years are as follows:

	2019 R	2018 R	2017 R	2016 R	2015 R
Defined benefit obligation	3 626 158	3 408 535	3 509 000	3 029 000	3 877 000

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	2019 R	2018 R
<b>8. Inventories</b>		
Materials and supplies	236 394	454 555
Housing stock	8 103	8 103
Consumables	620 767	749 228
Water for distribution	23 692	12 935
	<b>888 956</b>	<b>1 224 821</b>
Inventories recognised as an expense during the year	2 266 844	1 828 325
<b>Inventory pledged as security</b>		
No inventory was pledged as security.		
<b>9. Current portion of long term receivables from exchange transactions</b>		
Housing - Self build	10 427	12 135
Allowance for impairment	(10 031)	(11 125)
	<b>396</b>	<b>1 010</b>
As from 1 January 2006 no loan agreements are entered into for the sale of houses. The outstanding loans will be recovered over the remaining period of the individual loan agreements entered into.		
<b>10. VAT receivable</b>		
VAT	3 914 615	2 915 070
The municipality is registered for VAT on the payment basis.		
<b>11. Receivables from exchange transactions</b>		
<b>Gross balances</b>		
Electricity	1 474 194	1 591 074
Water	957 732	781 077
Sewerage	1 104 943	873 266
Refuse	572 391	427 908
Housing rental	842 924	661 079
	<b>4 952 184</b>	<b>4 334 404</b>
<b>Less: Allowance for impairment</b>		
Electricity	(435 105)	(556 456)
Water	(447 909)	(499 606)
Sewerage	(541 925)	(624 479)
Refuse	(188 168)	(224 764)
Housing rental	(630 724)	(421 531)
	<b>(2 243 831)</b>	<b>(2 326 836)</b>
<b>Net balance</b>		
Electricity	1 039 089	1 034 618
Water	509 823	281 471
Sewerage	563 018	248 787
Refuse	384 223	203 144
Housing rental	212 200	239 548
	<b>2 708 353</b>	<b>2 007 568</b>

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	2019 R	2018 R
<b>11. Receivables from exchange transactions (continued)</b>		
<b>Electricity</b>		
Current (0 -30 days)	797 571	710 914
31 - 60 days	48 937	84 436
61 - 90 days	(72 069)	49 302
91 - 120 days	54 383	82 500
>120 days	645 372	663 922
Less: Allowance for impairment	(435 105)	(556 456)
	<b>1 039 089</b>	<b>1 034 618</b>
<b>Water</b>		
Current (0 -30 days)	154 412	133 555
31 - 60 days	15 214	33 588
61 - 90 days	6 892	27 897
91 - 120 days	12 478	50 367
>120 days	768 736	535 670
Less: Allowance for impairment	(447 909)	(499 606)
	<b>509 823</b>	<b>281 471</b>
<b>Sewerage</b>		
Current (0 -30 days)	159 992	113 047
31 - 60 days	35 166	41 017
61 - 90 days	2 327	34 352
91 - 120 days	43 395	31 329
>120 days	864 063	653 521
Less: Allowance for impairment	(541 925)	(624 479)
	<b>563 018</b>	<b>248 787</b>
<b>Refuse</b>		
Current (0 -30 days)	136 152	106 339
31 - 60 days	21 693	20 045
61 - 90 days	20 147	17 263
91 - 120 days	21 172	23 402
>120 days	373 227	260 859
Less: Allowance for impairment	(188 168)	(224 764)
	<b>384 223</b>	<b>203 144</b>
<b>Housing rental</b>		
Current (0 -30 days)	53 188	53 325
31 - 60 days	20 683	29 882
61 - 90 days	16 605	21 174
91 - 120 days	21 025	23 923
>120 days	731 423	532 775
Less: Allowance for impairment	(630 724)	(421 531)
	<b>212 200</b>	<b>239 548</b>

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	2019 R	2018 R
<b>11. Receivables from exchange transactions (continued)</b>		
<b>Summary of debtors by customer classification</b>		
<b>Consumers</b>		
Current (0 -30 days)	748 244	448 998
31 - 60 days	130 280	87 818
61 - 90 days	98 086	56 822
91 - 120 days	132 155	56 725
>120 days	2 029 183	1 036 564
	<u>3 137 948</u>	<u>1 686 927</u>
Less: Allowance for impairment	(1 495 896)	(985 228)
	<b><u>1 642 052</u></b>	<b><u>701 699</u></b>
<b>Industrial / Commercial</b>		
Current (0 -30 days)	786 163	530 005
31 - 60 days	26 221	42 152
61 - 90 days	(94 120)	18 231
91 - 120 days	15 827	38 543
>120 days	447 157	387 998
	<u>1 181 248</u>	<u>1 016 929</u>
Less: Allowance for impairment	(314 540)	(309 772)
	<b><u>866 708</u></b>	<b><u>707 157</u></b>
<b>Government</b>		
Current (0 -30 days)	91 111	-
31 - 60 days	12 262	-
61 - 90 days	27 383	-
91 - 120 days	39 183	-
> 120 days	452 923	-
	<u>622 862</u>	<u>-</u>
Less: Allowance for impairment	(433 395)	-
	<b><u>189 467</u></b>	<b><u>-</u></b>
<b>Total</b>		
Current (0 -30 days)	1 301 315	1 117 180
31 - 60 days	141 693	208 968
61 - 90 days	(26 098)	149 988
91 - 120 days	152 453	211 521
>120 days	3 382 821	2 646 747
	<u>4 952 184</u>	<u>4 334 404</u>
Less: Allowance for impairment	(2 243 831)	(2 326 836)
	<b><u>2 708 353</u></b>	<b><u>2 007 568</u></b>
<b>Less: Allowance for impairment</b>		
Current (0 -30 days)	(25 687)	(20 119)
31 - 60 days	(11 444)	(7 763)
61 - 90 days	(1 566)	(7 127)
91 - 120 days	(5 558)	(7 578)
>120 days	(2 199 576)	(2 284 249)
	<u>(2 243 831)</u>	<u>(2 326 836)</u>

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	2019 R	2018 R
<b>11. Receivables from exchange transactions (continued)</b>		
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(2 326 836)	(1 603 996)
Contributions to allowance	(209 193)	(750 134)
Reversal of allowance	292 198	27 294
	<b>(2 243 831)</b>	<b>(2 326 836)</b>

### Credit quality of receivables from exchange transactions

The credit quality of consumer debtors that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

### Receivables from exchange transactions past due but not impaired

Receivables from exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2019, R 3 316 540 (2018: R 3 147 098) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	168 763	195 851
2 months past due	31 349	35 158
3 months past due	3 116 428	2 916 089

### Receivables from exchange transactions impaired

The amount of the provision was R 2 243 831 as of 30 June 2019 (2018: R 2 326 836).

The ageing of these loans is as follows:

0 to 3 months	38 694	35 009
3 to 6 months	18 021	43 486
Over 6 months	2 187 116	2 248 341

## 12. Receivables from non-exchange transactions

Fines	65 490 691	38 969 451
Assessment rates	2 030 497	3 794 577
Other receivables	792 244	595 827
Sundry deposits	1 878 905	1 808 816
Allowance for impairment	(62 501 502)	(36 833 193)
	<b>7 690 835</b>	<b>8 335 478</b>

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## Notes to the Annual Financial Statements

	2019 R	2018 R
<b>12. Receivables from non-exchange transactions (continued)</b>		
<b>Credit quality of receivables from non-exchange transactions</b>		
The credit quality of other receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:		
<b>Receivables from non-exchange transactions</b>		
<b>Assessment rates: Gross balance</b>		
Current	16 892	372 096
31 - 60 days	27 412	44 339
61 - 90 days	22 977	29 018
91 - 120 days	28 242	21 510
> 120 days	1 934 974	3 327 614
	<b>2 030 497</b>	<b>3 794 577</b>
<b>Assessment rates: Allowance for impairment</b>		
Current	(667)	(298)
31 - 60 days	(8 724)	(6 919)
61 - 90 days	(9 672)	(5 505)
91 - 120 days	(18 362)	(4 660)
> 120 days	(1 826 318)	(2 759 086)
	<b>(1 863 743)</b>	<b>(2 776 468)</b>
<b>Assessment rates: Net balance</b>		
Current	16 225	371 798
31 - 60 days	18 688	37 420
61 - 90 days	13 305	23 513
91 - 120 days	9 880	16 850
> 120 days	108 656	568 528
	<b>166 754</b>	<b>1 018 109</b>
<b>Fines</b>		
Gross balance	65 490 691	38 969 451
Allowance for impairment	(26 521 241)	(34 008 756)
	<b>38 969 450</b>	<b>4 960 695</b>

Impairment of fines is based on a percentage of the amounts that were recovered in the previous financial year in relation to the fines that were issued.

Fines are written off after a 24 month period after summons was issued.

### Receivables from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2019, R 2 013 601 (2018: R 79 971) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	27 412	27 027
2 months past due	22 977	16 804
3 months past due	1 963 212	36 140



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## Notes to the Annual Financial Statements

	2019 R	2018 R
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### 12. Receivables from non-exchange transactions (continued)

#### Receivables from non-exchange transactions impaired

The amount of the provision was R 1 863 745 as of 30 June 2019 (2018: R 2 776 468).

The ageing of these loans is as follows:

0 to 6 months	19 064	17 382
3 to 6 months	35 372	27 215
Over 6 months	1 809 309	2 731 871

#### Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	(36 833 193)	(19 009 550)
Reversal of impairment loss on assessment rates	912 724	831 921
Impairment loss on fines	(26 521 241)	(18 647 474)
Impairment loss on other receivables	(59 792)	(8 090)
	<b>(62 501 502)</b>	<b>(36 833 193)</b>

### 13. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	2 850	2 050
Bank balances	4 926 479	8 630 377
Short-term deposits	1 622 298	1 537 501
	<b>6 551 627</b>	<b>10 169 928</b>

#### The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2019	30 June 2018	30 June 2017	30 June 2019	30 June 2018	30 June 2017
ABSA Bank Current Account - 25040140874	3 979 589	8 621 784	571 975	4 926 479	8 549 854	898 008
ABSA Bank Call Account - 5064314329	406 074	386 002	362 713	-	386 002	362 713
Standard Bank Money Market Account - 2887048000	1 228 780	1 156 048	1 087 257	1 626 843	1 156 048	1 487 257
Standard Bank Current Account - 203247663000	1 001 779	80 523	3 856 017	-	80 523	3 129 984
Standard Bank Sweeping Account - 203247671000	-	(165)	(4 545)	(4 545)	(4 545)	(4 545)
<b>Total</b>	<b>6 616 222</b>	<b>10 244 192</b>	<b>5 873 417</b>	<b>6 548 777</b>	<b>10 167 882</b>	<b>5 873 417</b>

### 14. Capital replacement reserve

This reserve is a reserve to finance future capital and is fully invested in ring-fenced financial instruments. The Capital Replacement Reserve is included in accumulated surplus as required by GRAP 1.89.

Opening balance	1 844 479	1 770 303
VAT on grant expenditure	-	74 176
Transferred to accumulated surplus	(1 844 479)	-
	<b>-</b>	<b>1 844 479</b>

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## Notes to the Annual Financial Statements

	2019 R	2018 R
<b>15. Donations and public contributions</b>		
This reserve is a reserve to finance only certain approved future expenditure and is fully invested in ring-fenced financial instruments. The Donations and Public Contributions Reserve is included in accumulated surplus as required by GRAP 1.89.		
Balance previously reported	32 994 672	32 994 672
Transferred to accumulated surplus	(32 994 672)	-
	<b>-</b>	<b>32 994 672</b>

## 16. Housing development fund

Loans extinguished by Government on 1 April 1998	1 680 451	1 680 451
Transferred to accumulated surplus	(1 680 451)	-
	<b>-</b>	<b>1 680 451</b>

### The housing development fund is represented by the following assets and liabilities

Revaluation of assets	-	1 680 451

The Housing Development Fund has its origin from loans extinguished by Government on 1 April 1998 and the net of housing transactions appropriated to the fund thereafter. No separate inappropriate surplus account for housing transactions was kept.

The Housing Development Fund contains all proceeds from housing developments, which include rental income and sale of houses. Monies standing to the credit of the housing development fund are used only for the funding of housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

## 17. Finance lease obligation

### Minimum lease payments due

- within one year	18 468	71 503
- in second to fifth year inclusive	6 348	24 816
	<b>24 816</b>	<b>96 319</b>
less: future finance charges	(1 618)	(6 534)
<b>Present value of minimum lease payments</b>	<b>23 198</b>	<b>89 785</b>

### Present value of minimum lease payments due

- within one year	16 973	66 588
- in second to fifth year inclusive	6 225	23 197
	<b>23 198</b>	<b>89 785</b>
Non-current liabilities	6 225	23 197
Current liabilities	16 973	66 588
	<b>23 198</b>	<b>89 785</b>

The average lease term was 5 years.

Interest rates are fixed at the contract date. All leases escalate at 10% - 15% p.a

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer to 4

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## Notes to the Annual Financial Statements

	2019 R	2018 R
<b>18. Unspent conditional grants and receipts</b>		
<b>Unspent conditional grants and receipts comprises of:</b>		
<b>Unspent conditional grants and receipts</b>		
Human Settlement Development Grant	-	198 000
Local Government Graduate Internship Grant	60 501	54 903
Sport Upgrade Matjiesfontein	71 575	-
Local Government internship Grant & WC-FMCB Grant	351 190	-
Upholstery Project	98 037	-
Municipal Electrical Master Plan	-	153 750
Drought and WW Treatment	1 913 304	8 420 248
Overberg Water War on Leaks	-	165 370
Provincial: Municipal Finance Improvement Programme Grant	1 293 446	630 032
	<b>3 788 053</b>	<b>9 622 303</b>
<b>Movement during the year</b>		
Balance at the beginning of the year	9 622 303	5 037 680
Additions during the year	34 365 783	35 788 650
Income recognition during the year	(40 234 517)	(29 998 095)
Repayment to Provincial Treasury	-	(158 492)
Interest	34 484	-
Prior period correction	-	(663 056)
Correction of VAT	-	(384 384)
	<b>3 788 053</b>	<b>9 622 303</b>

See note 35 for reconciliation of grants from National/Provincial Government.

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## Notes to the Annual Financial Statements

	2019 R	2018 R
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### 19. Provisions

#### Reconciliation of provisions - 2019

	Opening Balance	Additions	Total
Environmental rehabilitation	7 751 611	2 300 301	10 051 912
Insurance Workmen's Compensation Act	698 781	-	698 781
	<b>8 450 392</b>	<b>2 300 301</b>	<b>10 750 693</b>

#### Reconciliation of provisions - 2018

	Opening Balance	Additions	Change in discount factor	Total
Environmental rehabilitation	4 947 139	2 309 046	495 426	7 751 611
Insurance Workmen's Compensation Act	540 381	158 400	-	698 781
	<b>5 487 520</b>	<b>2 467 446</b>	<b>495 426</b>	<b>8 450 392</b>

Non-current liabilities	10 051 912	7 751 611
Current liabilities	698 781	698 781
	<b>10 750 693</b>	<b>8 450 392</b>

#### Environmental rehabilitation provision

At 30 June 2019 the municipality will incur estimated rehabilitation costs amounting to R 10 051 912 (2018: R 7 751 611) to restore the landfill site at the end of its useful life, estimated to be 15 years (2018: 16 years). The amount of rehabilitation is dependent on future costs, technology, inflation and site consumption. The real rate of the provision was 4.42% (2018: 5.18%).

#### Insurance Workmen's Compensation Act

The provision for WCA insurance is made in terms of the Workmen's Compensation Act. The amount is payable upon and based on assessment by the Workmen's Compensation Commissioner.

The provision is based on the Compensation Commissioner returns.

### 20. Payables from exchange transactions

Accrued leave pay	1 096 255	979 382
Advance payments	618 918	813 562
Bonus	564 886	506 031
Other payables	-	167 712
Payables and accruals	6 511 784	5 771 070
Salary clearing and control	31 839	32 066
	<b>8 823 682</b>	<b>8 269 823</b>

### 21. Consumer deposits

Electricity	274 960	300 465
Hiring of decorative items	5 030	4 492
Posters	2 482	1 298
Rental properties	99 759	85 414
Water	291 791	205 384
	<b>674 022</b>	<b>597 053</b>

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	2019 R	2018 R
<b>22. Revenue</b>		
Actuarial gains	74 114	836 056
Agency services	150 848	159 307
Fines, penalties and forfeits	33 342 121	27 726 603
Government grants and subsidies	40 731 413	29 998 095
Interest earned - bank accounts and external investments	785 221	577 698
Interest earned - current assets	70 566	108 565
Interest earned - exchange transactions	282 207	250 827
Interest earned - non-exchange transactions	79 580	255 738
Licences and permits	1 333 865	1 353 032
Operational revenue	17 580	179 949
Property rates	3 910 433	3 521 337
Rental of facilities and equipment	1 353 643	1 981 170
Sale of goods and rendering of services	208 323	441 433
Service charges	17 161 717	17 548 313
	<b>99 501 631</b>	<b>84 938 123</b>
<b>The amount included in revenue arising from exchanges of goods or services are as follows:</b>		
Agency services	150 848	159 307
Interest earned - bank accounts and external investments	785 221	577 698
Interest earned - exchange transactions	282 207	250 827
Licences and permits	1 333 865	1 353 032
Operational revenue	17 580	179 949
Rental of facilities and equipment	1 353 643	1 981 170
Sale of goods	208 323	441 433
Service charges	17 161 717	17 548 313
	<b>21 293 404</b>	<b>22 491 729</b>
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>		
<b>Taxation revenue</b>		
Actuarial gains	74 114	836 056
Property rates	3 910 433	3 521 337
Interest earned - current assets	70 566	108 565
Interest earned - non-exchange transactions	79 580	255 738
Licences or permits	-	1 235
<b>Transfer revenue</b>		
Fines, penalties and forfeits	33 342 121	27 726 603
Government grants and subsidies	40 731 413	29 998 095
	<b>78 208 227</b>	<b>62 447 629</b>
<b>23. Service charges</b>		
Refuse removal	2 218 924	2 373 420
Sale of electricity	13 046 610	13 654 184
Sale of water	2 921 795	2 878 984
Sewerage and sanitation charges	2 732 656	2 789 126
Revenue forgone	(3 758 268)	(4 147 401)
	<b>17 161 717</b>	<b>17 548 313</b>

The amounts disclosed above for revenue from service charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

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	2019 R	2018 R
<b>24. Rental of facilities and equipment</b>		
<b>Premises</b>		
Buildings	1 189 466	1 261 904
Operating lease - Southkloof	51 929	45 571
	<b>1 241 395</b>	<b>1 307 475</b>
<b>Land</b>		
Commonage	247	1 166
<b>Facilities and equipment</b>		
Cutlery	2 078	2 319
Hawkers	3 879	12 852
Houses	18 581	15 205
Machinery and equipment	87 463	642 153
	<b>112 001</b>	<b>672 529</b>
	<b>1 353 643</b>	<b>1 981 170</b>
Rental revenue earned in facilities and equipment is in respect of non-financial assets rented out.		
<b>25. Fines, Penalties and Forfeits</b>		
Overdue books fines	677	941
Municipal traffic fines	33 341 444	27 725 662
	<b>33 342 121</b>	<b>27 726 603</b>
<b>26. Agency services</b>		
Vehicle registration	-	14 188
Provincial department	150 848	145 119
	<b>150 848</b>	<b>159 307</b>
<b>27. Licences and permits (exchange)</b>		
Activity public roads	2 826	1 584
Learner's licences	215 455	205 647
Motor vehicle licences	1 115 584	1 145 801
	<b>1 333 865</b>	<b>1 353 032</b>
<b>28. Licences and permits (non-exchange)</b>		
Dog	-	1 235
<b>29. Lease rentals</b>		
<b>Lease rentals on finance lease</b>		
Contractual amounts	180 804	94 440
<b>Lease rentals on operating lease - Library Vleiland</b>		
Contractual amounts	130 983	9 352
	<b>311 787</b>	<b>103 792</b>

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	2019 R	2018 R
<b>30. Interest earned on non-current assets</b>		
Interest	70 566	108 565
<b>31. Operational revenue</b>		
Other income	17 580	179 949
<b>The amount included in other revenue arising from exchanges of goods or services are as follows:</b>		
Request for information	6 713	588
Insurance commission	10 867	8 969
Other	-	170 392
	<b>17 580</b>	<b>179 949</b>
<b>32. Interest earned on bank accounts and external investments</b>		
<b>Interest revenue</b>		
External investments	84 797	88 199
Bank	700 424	489 499
	<b>785 221</b>	<b>577 698</b>

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	2019 R	2018 R
<b>33. Property rates</b>		
<b>Rates received</b>		
Agriculture	-	2 043 070
Business	598 594	572 088
Industrial	17	10
Municipal	344 643	88 216
Public Benefit Organisations	110 657	28 392
Public Service Infrastructure	174	220
Residential	1 170 508	1 081 740
State-owned	744 517	688 064
Less: Revenue forgone	941 323	(980 463)
	<u>3 910 433</u>	<u>3 521 337</u>
Interest earned on outstanding receivables	79 580	255 738
	<u><b>3 990 013</b></u>	<u><b>3 777 075</b></u>
<b>Valuations</b>		
Accommodation	16 377 000	15 797 000
Agriculture	939 289 500	808 305 000
Agriculture - Private Nature Reserve	32 263 000	32 498 000
Business	53 715 000	57 734 000
Industrial	2 000	2 000
Municipal	32 424 000	32 249 000
Public Benefit Organisation	4 450 000	4 760 000
Public Service Infrastructure	581 000	576 000
Religious	9 421 000	9 546 000
Residential	137 363 000	136 403 000
School	210 000	210 000
State	45 149 000	44 069 000
	<u><b>1 271 244 500</b></u>	<u><b>1 142 149 000</b></u>
Valuations on land and buildings are performed every 4 years and the implementation thereof every 5 years. The last general valuation came into effect on 1 July 2017. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.		
<b>34. Transfers and subsidies</b>		
<b>Other transfers and subsidies</b>		
Acacia Primary School	-	15 690
Housing transfers	25 617	18 308
Municipal sport	-	6 439
Equitable Share Households	816 876	377 323
Tourism	-	16 637
	<u><b>842 493</b></u>	<u><b>434 397</b></u>



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	2019 R	2018 R
<b>35. Government grants and subsidies</b>		
<b>Operating grants</b>		
Community Workers Development (CDW)	-	93 000
Department of Water Affairs (DWA)	143 750	96 250
Equitable Share	15 000 000	13 576 000
Expanded Public Works Programme (EPWP)	1 000 000	1 031 000
Financial Management Grant (FMG)	2 394 903	1 800 000
SCDM - mSCOA Grant	47 783	-
Local Government Graduate Internship Grant	-	11 097
Maintenance of Proclaimed Roads	-	41 536
Municipal Drought Support	-	(1)
Department of Culture and Sport (Library)	1 260 000	2 745 600
Provincial: Library Services	-	1 063 000
Provincial: Municipal Finance Improvement Programme	-	899 968
Provincial: Sub-Seta	39 795	30 747
Western Cape Financial Management Capacity Grant	1 577 294	240 000
	<b>21 463 525</b>	<b>21 628 197</b>
<b>Capital grants</b>		
Integrated National Electrification Programme (INEP)	2 156 790	2 000 000
Municipal Infrastructure Grant (MIG)	17 111 098	6 369 898
	<b>19 267 888</b>	<b>8 369 898</b>
	<b>40 731 413</b>	<b>29 998 095</b>
<b>Equitable Share</b>		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members and to subsidise income.		
All registered indigents receive a monthly subsidy equal to the basic monthly charges for water supply, refuse removal and sanitation based on the monthly billing towards the consumer account. The subsidy is determined annually by Council. All indigent consumers receive 6 kilolitre water and 50 kWh electricity free every month.		
The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by National Treasury.		
Current-year receipts	15 000 000	13 576 000
Conditions met - transferred to revenue	(15 000 000)	(13 576 000)
	<b>-</b>	<b>-</b>

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## Notes to the Annual Financial Statements

	2019 R	2018 R
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### 35. Government grants and subsidies (continued)

#### Integrated National Electrification Program (INEP)

Current-year receipts	2 000 000	2 000 000
Conditions met - transferred to revenue	(2 000 000)	(2 000 000)
	<u>-</u>	<u>-</u>

The purpose of this grant is to address the electrification backlog of occupied residential dwellings and the installation of bulk infrastructure.

#### Human Settlement Development Grant

Balance unspent at beginning of year	198 000	-
Current-year receipts	-	198 000
Conditions met - transferred to revenue	(198 000)	-
	<u>-</u>	<u>198 000</u>

The purpose of this grant is to fund housing within municipalities that demonstrated capacity to plan and deliver housing rapidly, with emphasis on rural areas.

#### Local Government Graduate Internship Grant

Balance unspent at beginning of year	54 903	-
Current-year receipts	72 501	66 000
Conditions met - transferred to revenue	(66 903)	(11 097)
	<u>60 501</u>	<u>54 903</u>

The "kick-about" is part of the youth development against violence through sport programmes with the purpose of using sport, specifically football, as a catalyst for transmitting life skills to children and youth in order to reduce violence and social skills.

The project is for the construction of a "kick-about" facility as well as to provide basic football equipment to children in poor rural areas.

#### Expanded Public Works Programme (EPWP)

Current-year receipts	1 000 000	1 031 000
Conditions met - transferred to revenue	(1 000 000)	(1 031 000)
	<u>-</u>	<u>-</u>

The Expanded Public Works Programme (EPWP) grant is received to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the following identified focus areas, in compliance with the EPWP Guidelines:

- Road maintenance and the maintenance of buildings;
- Low traffic volume roads and rural roads;
- Basic services infrastructure, including water and sewer reticulation, sanitation, pipelines and dams (excluding bulk infrastructure); and
- Other economic and social infrastructure.

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## Notes to the Annual Financial Statements

	2019 R	2018 R
<b>35. Provincial Government grants and subsidies WC-FMCB and Local Graduates</b>		
Current-year receipts	691 500	1 800 000
Conditions met - transferred to revenue	(340 310)	(1 800 000)
	<b>351 190</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 18).

Western Cape Financial Management Capacity Building Grant - Funds allocated to municipalities to assist with the implementation of municipal financial capacitation development. Municipal Service Delivery And Capacity Building Grant - To strengthen and improve municipal service delivery and capacity building.

### Financial Management Support Grant

Balance unspent at beginning of year	-	158 494
Repayment to Provincial Treasury	-	(158 494)
	<b>-</b>	<b>-</b>

This grant is received to provide financial assistance to improve overall financial governance within municipalities inclusive of optimising and administration of revenue, improving credibility and responsiveness of municipal budgets, improving municipal audit outcomes and addressing institutional challenges.

### Western Cape Financial Management Support Grant

Balance unspent at beginning of year	630 032	-
Current-year receipts	2 197 348	1 530 000
Conditions met - transferred to revenue	(1 533 934)	(899 968)
	<b>1 293 446</b>	<b>630 032</b>

Conditions still to be met - remain liabilities (see note 18).

This grant is intended at assisting municipalities to regain clean financial governance abilities.

### Western Cape Drought Funding

Balance unspent at beginning of year		(1)
Current-year receipts		-
Conditions met - transferred to revenue	1 500 000 (1 486 817)	1
	<b>13 183</b>	<b>-</b>

This grant was received to repair flood damage that occurred in January 2014.

### Department of Water Affairs (DWA) (Water Service Infrastructure Grant)

Balance unspent at beginning of year	-	336 146
Conditions met - transferred to revenue	-	(336 146)
	<b>-</b>	<b>-</b>

This grant is used for water supply at Matjiesfontein, ground water investigation and the compilation of a water master plan. The water master plan needs to be drafted and submitted and the water meters needs to be installed.

### Library Service: Replacement funding for most vulnerable B3 Municipalities

Current-year receipts	1 260 000-	1 063 000
Conditions met - transferred to revenue	(1 260 000)	(1 063 000)
	<b>-</b>	<b>-</b>

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	2019 R	2018 R
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### 35. Government grants and subsidies (continued)

This grant was allocated to transform urban and rural community library infrastructure, facilities and services (primarily targeting previously disadvantage communities) through a recapitalised program at provincial level in support of local government and national initiatives.

#### Department of Water Affairs (DWA) Waste Water Service Infrastructure Grant - (Sludge dams)

Balance unspent at beginning of year	-	-
Current-year receipts	2 000 000	-
Conditions met - transferred to revenue	<u>443 370</u>	-
	<b><u>1 556 630</u></b>	-

#### Municipal Service Delivery and Capacity Building - "Thusong Stoffeer Projek"

Balance unspent at beginning of year	-	-
Current-year receipts	131 086	-
Conditions met - transferred to revenue	<u>(33 050)</u>	-
	<u>98 037</u>	-

#### Development of Sport and Recreation Facilities

Balance unspent at beginning of year		-
Current-year receipts	112 050	-
Conditions met - transferred to revenue	<u>(40 475)</u>	-
	<b><u>71 575</u></b>	-

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## Notes to the Annual Financial Statements

	2019 R	2018 R
<b>35. Government grants and subsidies (continued)</b>		
<b>Municipal Drought Support</b>		
Balance unspent at beginning of year	7 300 000	7 800 000
Conditions met - transferred to revenue	(6 956 509)	(500 000)
	<b>343 491-</b>	<b>7 300 000</b>

This allocation may only be utilised for the following projects:

- R3 700 000 for the construction of the bulk pipeline between the Zoutkloof Spring and the main reservoir as well as the equipping and electricity connection and connection of two boreholes to the Zoutkloof line.
- R1 700 000 for the Zoutkloof Spring rehabilitation.
- R1 900 000 for the borehole pump for the existing borehole in Matjiesfontein and Eskom connection.

### Western Cape Financial Management Capacity

Current-year receipts	-	240 000
Conditions met - transferred to revenue	-	(240 000)
	-	-

The outcome of this grant is improved functioning of municipal financial management.

### Overberg Water War on Leaks

Balance unspent at beginning of year	165 370	-
Current-year receipts	-	165 370
Conditions met - transferred to revenue	(165 370)	-
	-	<b>165 370</b>

There was a donation from Overberg Municipality to invest in water supply infrastructure.

### Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	1 220 248	2 745 600
Current-year receipts	6 588 000	6 654 000
Conditions met - transferred to revenue	(7 708 248)	(8 279 352)
	-	<b>1 120 248</b>

Conditions still to be met - remain liabilities (see note 18).

This grant is allocated to provide specific capital finance for basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities.

### Municipal Electrical Master Plan

Balance unspent at beginning of year	153 750	250 000
Conditions met - transferred to revenue	(153 750)	(96 250)
	-	<b>153 750</b>

This grant was received to provide financial assistance to ensure effective functioning of municipal electrical infrastructure and to maximise the provision for basic electricity to citizens.

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## Notes to the Annual Financial Statements

	2019 R	2018 R
<b>36. Employee related costs</b>		
Acting allowances	328 475	187 150
Bargaining council levies	6 503	5 493
Basic	14 448 536	14 422 018
Bonus	888 960	1 006 677
Cell phone allowances	18 695	7 440
Defined contribution plans	48 253	454 535
Housing allowances	124 031	119 770
Leave pay provision charge	123 189	50 106
Long service awards	105 089	41 471
Medical aid contributions	634 239	655 451
Motor vehicle allowances	676 568	817 689
Other benefits and allowances	16 300	14 733
Overtime payments	853 239	394 709
Pension contributions	1 916 234	1 831 589
Unemployment Insurance Fund (UIF)	100 973	104 776
	<b>20 289 284</b>	<b>20 113 607</b>
<b>Remuneration of Municipal Manager - Mr SC Pieterse</b>		
Annual Remuneration	-	213 180
Contributions to UIF, Medical and Pension Funds	-	16 093
Travel / motor vehicle allowance	-	92 344
Bargaining council	-	38
	<b>-</b>	<b>321 655</b>
<b>Remuneration of Chief Finance Officer - Ms A Groenewald</b>		
Annual Remuneration	789 492	720 564
Bonus	65 791	60 047
Acting allowance	5 005	103 963
Contributions to UIF, Medical and Pension Funds	169 781	155 705
Travel / motor vehicle allowance	203 160	203 160
Housing allowance	10 829	8 904
Bargaining council	105	96
	<b>1 244 163</b>	<b>1 252 439</b>
<b>Remuneration of Mr PA Williams</b>		
Annual Remuneration	1 154 450	-
Bonus	50 000	-
Contributions to UIF, Medical and Pension Funds	1 636	-
Travel / motor vehicle allowance	45 600	-
Cell phone allowance	21 000	-
Scarcity allowance	49 876	-
Other non-taxable allowance	75 000	-
	<b>1 397 562</b>	<b>-</b>

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## Notes to the Annual Financial Statements

	2019 R	2018 R
<b>37. Remuneration of councillors</b>		
Executive Mayor	810 992	589 616
Deputy Executive Mayor	346 821	340 791
Speaker	657 376	536 039
Councillors	1 213 556	1 286 083
	<b>3 028 745</b>	<b>2 752 529</b>

### In-kind benefits

The Executive Mayor and Speaker are full-time Councillors. Each is provided with an office and shared secretarial support at the cost of the Council.

The Executive Mayor has use of a Council owned vehicles for official duties.

2019	Annual remuneration	Travel allowance	Other allowances	Back pay	Total
Gouws M (Executive Mayor)	701 705	53 485	44 400	11 402	810 992
Brown I (Deputy Executive Mayor)	260 374	76 664	44 400	5 488	386 926
Louw RM (Speaker)	504 788	99 364	44 400	8 824	657 376
Van As BJ (Councillor)	199 899	53 485	40 800	774	294 958
Theron W du P (Councillor)	199 899	53 485	44 400	774	298 558
Potgieter L (Councillor)	253 384	-	44 400	774	298 558
Kleinbooi B (Councillor)	137 557	40 114	33 300	4 009	214 980
Daniels M (Councillor)	51 100	-	7 400	-	58 500
	<b>2 308 706</b>	<b>376 597</b>	<b>303 500</b>	<b>32 045</b>	<b>3 020 848</b>

2018	Annual remuneration	Travel allowance	Other allowances	Back pay	Total
Brown I (Deputy Executive Mayor / Councillor)	225 841	63 887	35 400	25 119	350 247
Gouws M (Speaker / Councillor)	415 306	53 484	35 400	51 844	556 034
Kleinbooi B (Councillor)	175 686	53 485	35 400	15 675	280 246
Louw RM (Executive Mayor)	83 746	-	5 500	-	89 246
Marthinus AA (Executive Mayor)	227 186	73 934	18 791	-	319 911
Mienies J (Executive Mayor / Councillor)	164 805	-	14 500	19 709	199 014
Potgieter L (Councillor)	229 171	-	35 400	15 675	280 246
Theron W du P (Speaker / Councillor)	256 890	53 484	35 400	29 617	375 391
Van As BJ (Deputy Executive Mayor / Councillor)	197 490	53 485	31 800	19 419	302 194
	<b>1 976 121</b>	<b>351 759</b>	<b>247 591</b>	<b>177 058</b>	<b>2 752 529</b>

### 38. Inventories recognised as an expense

Consumables	1 273 398	1 355 666
Materials and supplies	993 446	472 659
	<b>2 266 844</b>	<b>1 828 325</b>

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	2019 R	2018 R
<b>39. Depreciation and amortisation</b>		
Property, plant and equipment	6 214 911	6 329 155
Investment property	57 459	57 459
Intangible assets	82 917	266 566
	<b>6 355 287</b>	<b>6 653 180</b>
<b>40. Impairment of assets</b>		
<b>Impairments</b>		
Property, plant and equipment	30 294	-
Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount [recoverable service amount] of the asset was based on its fair value less costs to sell or [its value in use.]		
The main classes of assets affected by impairment losses are plant and equipment, furniture and computer equipment and motor vehicles.		
<b>41. Finance costs</b>		
Bank accounts	48 004	3 002
Finance leases	4 915	12 956
Landfill site rehabilitation provision	705 009	495 426
Late submission of VAT (SARS)	32 604	-
Non-current employee benefits	415 139	454 157
	<b>1 205 671</b>	<b>965 541</b>
<b>42. Debt impairment</b>		
Reversal of allowance for impairment - Receivables	(937 031)	-
Contributions to allowance for impairment - Fines	26 525 803	18 545 021
	<b>25 588 772</b>	<b>18 545 021</b>
<b>43. Bulk purchases</b>		
Electricity - Eskom	7 872 282	7 316 598



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	2019 R	2018 R
<b>44. Contracted services</b>		
<b>Outsourced Services</b>		
Burial Services	14 183	26 638
Business and Advisory	3 612 052	1 434 510
Catering Services	62 652	29 625
Internal Auditors	206 986	172 187
Security Services	1 273 068	1 174 332
Drivers Licence Cards	30 099	-
Electrical	437 269	299 240
<b>Consultants and Professional Services</b>		
Business and Advisory	509 682	256 497
Laboratory Services	17 846	11 849
Legal Cost	870 894	399 272
<b>Contractors</b>		
Electrical	30 842	-
Event Promoters	-	3 271
Maintenance of Buildings and Facilities	64 615	21 939
Maintenance of Equipment	6 095	15 547
Maintenance of Unspecified Assets	1 456 979	783 368
Pest Control and Fumigation	1 844	-
Photographer	-	200
Transportation	18 500	-
	<b>8 613 606</b>	<b>4 628 475</b>

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	2019 R	2018 R
<b>45. Operational cost</b>		
Advertising, publicity and marketing	103 599	165 447
Assets less than the capitalisation threshold	17 193	9 962
Audit fees	831 352	875 812
Bank charges, facility and card fees	563 303	474 686
Commission	2 363 854	2 816 507
Communication	926 069	584 559
Courier and delivery services	-	792
Deeds	176 776	9 147
Entertainment	18 842	2 363
External computer service	1 368 480	1 758 953
Fines and penalties - SARS	81 669	-
Hire charges	-	3 330
Gifts	46 034	-
Insurance underwriting	614 192	253 798
Learnerships and internships	-	3 150
Levies paid - Water Resource Management Charges	72 152	65 236
Licences	1 183 188	1 274 814
Municipal services	695 918	514 933
Printing, publications and books	5 733	19 497
Professional bodies, membership and subscription	1 295 562	484 184
Registration fees	39 458	27 649
Remuneration to ward committees	175 421	220 255
Skills development fund levy	178 029	152 267
Toll gate fees	-	71
Travel and subsistence	931 774	670 963
Uniforms and protective clothing	85 906	163 097
Wet fuel	1 316	8 556
Workmen's compensation fund	-	158 400
	<b>11 775 820</b>	<b>10 718 428</b>
<b>46. Auditors' remuneration</b>		
Fees	831 352	875 812

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	2019 R	2018 R
<b>47. Cash generated from operations</b>		
Surplus	8 605 651	6 850 521
<b>Adjustments for:</b>		
Depreciation and amortisation	6 355 286	6 653 180
Loss on disposal of assets and liabilities	73 370	412 541
Impairment loss/(reversal of impairment loss)	30 294	-
Bad debts written off	-	2 042 309
Contribution from/to provisions - Current employee benefits (leave and bonus)	-	(65 046)
Government grants and subsidies received	34 400 267	35 788 653
Government grants and subsidies recognised as revenue	(40 234 517)	(29 065 702)
Contribution from/to provisions - Non-current employee benefits (interest)	647 286	435 897
Contribution from/to provisions - Current service cost	-	471 404
Contribution from/to provisions - Non-current employee benefits (Actuarial gains)/losses	(74 114)	(836 056)
Contribution from/to provisions - Environmental rehabilitation (interest)	-	495 426
Contribution from/to provisions - Environmental rehabilitation	705 009	-
Contribution from/to provisions - Workmen's Compensation	-	158 400
Contribution to debt impairment	25 584 210	18 545 021
Expenditure incurred - Non-current employee benefits	-	(54 156)
VAT claimed on grants	-	74 176
Repayment of Government grants	-	(158 494)
Interest earned on non-current assets	-	(108 565)
<b>Changes in working capital:</b>		
(Increase)/decrease in receivables from exchange transactions	(617 780)	(2 947 944)
(Increase)/decrease in receivables from non-exchange transactions	(25 023 666)	(22 897 681)
(Increase)/decrease in Inventory	335 866	546 353
Payables from exchange transactions	553 862	1 137 132
Increase/(decrease) in taxes	(999 545)	(1 209 091)
Increase/(decrease) in Employee Benefits	(183 894)	-
	<b>10 157 585</b>	<b>16 268 278</b>

## 48. Disposal of a significant asset(s) /or a group of assets and liabilities /or a component of the entity

### Description of the asset(s), group of assets and liabilities or, component

#### Carrying values

Carrying value of Furniture and Fittings	(45 692)	(131 829)
Carrying value of Plant and Machinery	(14 325)	(280 711)
Carrying value of Computer Equipment	(12 329)	-
Carrying value of Motor Vehicles	(1 024)	-

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	2019 R	2018 R
<b>49. Financial instruments disclosure</b>		
<b>Categories of financial instruments</b>		
<b>2019</b>		
<b>Financial assets</b>		
	At amortised cost	Total
Receivables from exchange transactions	2 708 353	2 708 353
Receivables from non-exchange transactions	7 690 835	7 690 835
Cash and cash equivalents	6 551 627	6 551 627
Current portion of long-term receivables from exchange transactions	396	396
	<b>16 951 211</b>	<b>16 951 211</b>
<b>Financial liabilities</b>		
	At amortised cost	Total
Payables from exchange transactions	8 823 682	8 823 682
Finance lease obligation	23 198	23 198
	<b>8 846 880</b>	<b>8 846 880</b>
<b>2018</b>		
<b>Financial assets</b>		
	At amortised cost	Total
Receivables from exchange transactions	2 007 568	2 007 568
Receivables from non-exchange transactions	8 335 478	8 335 478
Cash and cash equivalents	10 169 928	10 169 928
Current portion of long-term receivables from exchange transactions	1 010	1 010
	<b>20 513 984</b>	<b>20 513 984</b>
<b>Financial liabilities</b>		
	At amortised cost	Total
Payables from exchange transactions	8 269 823	8 269 823
Finance lease obligation	89 785	89 785
	<b>8 359 608</b>	<b>8 359 608</b>

# Laingsburg Local Municipality

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## Notes to the Annual Financial Statements

	2019 R	2018 R
<b>50. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Property, plant and equipment	20 645 702	16 312 954
<b>Total capital commitments</b>		
Already contracted for but not provided for	20 645 702	16 312 954
<b>Total commitments</b>		
<b>Total commitments</b>		
Authorised capital expenditure	20 645 702	16 312 954

This committed expenditure is disclosed inclusive of value-added-tax, and relates to infrastructure assets and will be financed through grants.

The following commitments are towards multi-year projects and will therefore last more than one year:

- Makhukane Consulting Engineers CC (National Electrification Program)
- Makhukane Consulting Engineers CC (Appointment of Consulting Engineers for Various Municipal Infrastructure and Building Projects)
- Aurecon (Water pipeline between reservoir and the Goldnerville reservoir - project is on hold)
- Aurecon (Work concerning the booster pump station)
- Aurecon and P Masondo Traders CC (New Bulk Water Main)
- Phambili Civil (Construction of Bulk Raw Water Pipeline from Soutkloof Reservoir to Town Reservoir)
- Exeo Khokela Civil Engineering Construction (Laingsburg Emergency Works on Water Supply)
- Vancar Construction (Pty) Ltd (Non-VAT Vendor) and IX Engineers (Pty) Ltd (Construction of Sludge Drying Beds at Laingsburg Waste Water Treatment Works)
- IX Engineers (Pty) Ltd (Appointment of Consulting Engineers: MIG 201983 2ML Reservoir - Project only in design/tender stage)
- IX Engineers, Makukhane Consulting Engineers CC (Appointment of Consulting Engineers: MIG 186986, New water supply pipeline, Goldnerville - Project only in design/tender stage)
- Laingsburg Municipality (MIG 198496: New Stormwater Channel Goldnerville - Project is done in house)

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	2019 R	2018 R
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### 51. Related parties

#### Relationships

Close family member of key management

Annalie Theron Gastehuis

Members of key management

Mr Willem Theron

The municipality provided municipal services to all councillors, management and their family members residing within the municipal area. The municipality also charges property rates to all councillors, management and their family members who are property owners within the municipal area. These transactions were concluded on normal operating terms and are included in "service charges" and "property rates" in the statement of financial performance. Any balances due to the municipality on the reporting date are included in receivables from exchange transactions (relating to service charges) and receivables from non-exchange transactions (relating to property rates) in the statement of financial position.

Section 45 of the Local Government: Municipal Finance Management Regulations (Published in terms of Act No. 56 of 2003) states that any award of more than R2 000 to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous twelve months, should be disclosed in the Annual Financial Statements.

During the 2018/19 financial year, an amount of R3 250 was rewarded to Ms Annalie Theron, spouse of Councillor Mr Willem Theron.

During the 2018/19 financial year expenditure amounting to R165 197 was incurred between Councillor Mr Willem Theron and Koup Produsente Kooperasie for Laingsburg Municipality.

#### Expenditure key management and close member of family

	Expenditure	Closing balance
Mr Willem Theron	165 197	165 197
Ms Annalie Theron, spouse of Councillor Mr Willem Theron	3 250	3 250
	<b>168 447</b>	<b>168 447</b>

# Laingsburg Local Municipality

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## Notes to the Annual Financial Statements

	2019 R	2018 R
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### 52. Prior-year adjustments and reclassifications

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

#### Statement of Financial Position

# Laingsburg Local Municipality

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## Notes to the Annual Financial Statements

	2019 R	2018 R	
<b>52. Prior-year adjustments and reclassifications (continued)</b>			
<b>2018</b>			
<b>Assets</b>	As previously reported	Correction of error	Restated
<b>Current Assets</b>			
Inventories	863 630	361 191	1 224 821
Current portion of long-term receivables from exchange transactions	1 010	-	1 010
VAT Receivable	2 846 463	68 607	2 915 070
Receivables from exchange transactions	2 137 412	(129 844)	2 007 568
Receivables from non-exchange transactions	7 845 964	489 513	8 335 477
Cash and cash equivalents	10 169 928	-	10 169 928
	<b>23 864 407</b>	<b>789 467</b>	<b>24 653 874</b>
<b>Non-Current Assets</b>	As previously reported	Correction of error	Restated
Investment property	25 049 551	-	25 049 551
Property, plant and equipment	155 991 628	2 236 271	158 227 899
Intangible assets	441 564	-	441 564
Heritage assets	43 354	-	43 354
	<b>181 526 097</b>	<b>2 236 271</b>	<b>183 762 368</b>
<b>Liabilities</b>	As previously reported	Correction of error	Restated
<b>Current Liabilities</b>			
Payables from exchange transactions	7 794 800	475 022	8 269 822
Consumer deposits	590 700	6 353	597 053
Unspent conditional grants and receipts	11 217 755	(1 595 452)	9 622 303
Finance lease obligation	66 588	-	66 588
Employee benefit obligation	289 416	-	289 416
Provisions	698 781	-	698 781
	<b>20 658 040</b>	<b>(1 114 077)</b>	<b>19 543 963</b>
<b>Non-Current Liabilities</b>	As previously reported	Correction of error	Restated
Finance lease obligation	23 197	-	23 197
Employee benefit obligation	4 213 073	(2)	4 213 071
Provisions	7 751 611	-	7 751 611
	<b>11 987 881</b>	<b>(2)</b>	<b>11 987 879</b>
<b>Net Assets</b>	As previously reported	Correction of error	Restated
Accumulated surplus	136 224 981	4 139 818	140 364 799
Capital replacement reserve	1 844 479	-	1 844 479
Housing development fund	1 680 451	-	1 680 451
Donations and public contributions	32 994 672	-	32 994 672
	<b>172 744 583</b>	<b>4 139 818</b>	<b>176 884 401</b>



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## Notes to the Annual Financial Statements

			2019 R	2018 R
<b>52. Prior-year adjustments and reclassifications (continued)</b>				
<b>Statement of Financial Performance</b>				
<b>2018</b>				
<b>Revenue</b>	As previously reported	Correction of error	Re-classification	Restated
<b>Revenue from exchange transactions</b>				
Sale of goods and rendering of services	442 373	-	(941)	441 432
Service charges	17 556 308	(7 995)	-	17 548 313
Interest earned - bank accounts and external investments	577 698	-	-	577 698
Interest earned - exchange transactions	250 827	-	-	250 827
Rental of facilities and equipment	1 981 170	-	-	1 981 170
Licences and permits	1 353 032	-	-	1 353 032
Agency services	159 307	-	-	159 307
Operational revenue	179 949	-	-	179 949
	<b>22 500 664</b>	<b>(7 995)</b>	<b>(941)</b>	<b>22 491 728</b>
<b>Revenue from non-exchange transactions</b>	As previously reported	Correction of error	Re-classification	Restated
Property rates	3 515 654	5 683	-	3 521 337
Interest earned - non-exchange transactions	255 738	-	-	255 738
Interest earned - current assets	108 565	-	-	108 565
Licences and permits	1 235	-	-	1 235
Actuarial gain	836 056	-	-	836 056
Government grants and subsidies	29 065 699	932 396	-	29 998 095
Fines, penalties and forfeits	27 725 662	-	941	27 726 603
	<b>61 508 609</b>	<b>938 079</b>	<b>941</b>	<b>62 447 629</b>
<b>Expenditure</b>	As previously reported	Correction of error	Re-classification	Restated
Employee related costs	21 692 897	(5 196)	-	21 687 701
Remuneration of councillors	2 752 529	-	-	2 752 529
Debt impairment	18 545 021	-	-	18 545 021
Bad debts written off	1 960 450	81 860	-	2 042 310
Depreciation and amortisation	6 537 332	120 268	(4 420)	6 653 180
Impairment loss / (reversal of impairment)	615 824	(615 824)	-	-
Finance costs	965 541	-	-	965 541
Lease rentals on operating lease	73 135	-	30 657	103 792
Bulk purchases	7 316 598	-	-	7 316 598
Contracted services	4 586 404	42 071	-	4 628 475
Inventory consumed	2 246 265	(391 634)	(26 306)	1 828 325
Transfers and subsidies	434 397	-	-	434 397
Loss on disposal on assets	-	412 541	-	412 541
Operational cost	10 578 428	140 000	-	10 718 428
	<b>78 304 821</b>	<b>(215 914)</b>	<b>(69)</b>	<b>78 088 838</b>

# Laingsburg Local Municipality

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Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R
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### 52. Prior-year adjustments and reclassifications (continued)

#### Errors

The following prior period errors adjustments occurred:

#### Receivables from Exchange Transactions

Various Receivables from Exchange Transactions were incorrectly billed and/or written off during the 17/18 financial year, and/or prior to the 17/18 financial year, which resulted in a decrease amounting to R129 844.

#### Receivables from Non-exchange Transactions

Various Receivables from Non-exchange Transactions were incorrectly billed and/or written off during the 17/18 financial year, and/or prior to the 17/18 financial year, which resulted in an increase amounting to R484 319.

During the year it was identified that the debtors sub-ledger did not update to the general ledger. This resulted in an increase in Receivables from Non-exchange Transactions of R5 194.

#### VAT Receivable

Various Receivables from Exchange and Non-exchange Transactions were incorrectly billed during the 17/18 financial year, and/or prior to the 17/18 financial year, which resulted in an increase amounting to R7 417.

During the year it was identified that invoices from the Service Provider (RData) were not captured. These invoices were paid after the 18/19 financial year, however related to the 17/18 financial year. This resulted in an increase of R57 617.

During the year it was identified that electricity cables, electricity meters, consumables and VIP toilets were incorrectly accounted for in the stores. This resulted in an adjustment amounting to R3 573, resulting in an increase in VAT Receivable.

#### Inventories

During the year it was identified that electricity cables, electricity meters, consumables and VIP toilets were incorrectly accounted for in the stores. This resulted in an increase of R378 191.

During the year it was identified that hosting fees (external computer services) were incorrectly included in Inventory Consumables for the 16/17 financial year. This resulted in a decrease amounting to R17 000.

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## Notes to the Annual Financial Statements

	2019 R	2018 R
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### 52. Prior-year adjustments and reclassifications (continued)

#### Property, Plant and Equipment

The following classes of assets were corrected due to projects being completed, acquisitions not previously recorded, items expensed and depreciation amendments:

- Assets under construction resulted in a decrease amounting to R160 816.
- Community Facilities - Cost - Acquisitions resulted in an increase amounting to R1 383 522.
- Motor Vehicles - Cost - Acquisitions resulted in a decrease amounting to R32 200.
- Electricity Supply - Cost - Acquisitions resulted in an increase amounting to R61 024.
- Water Supply - Cost - Acquisitions resulted in an increase amounting to R342 951.
- Community Facilities - Accumulated Depreciation - Depreciation resulted in an increase amounting to R65 916.
- Plant and Machinery - Cost - Opening Balance resulted in an increase amounting to R134 136.
- Plant and Machinery - Accumulated Depreciation - Depreciation resulted in an increase amounting to R15 815.
- Furniture and Office Equipment - Cost - Opening Balance resulted in an increase amounting to R424 637.
- Furniture and Office Equipment - Accumulated Depreciation - Depreciation resulted in an increase amounting to R38 536.

The following classes of assets' impairment for the 17/18 financial year was reversed which resulted in a total increase in Accumulated Impairment of R615 825.

- Motor Vehicles amounting to R28 442
- Furniture and Office Equipment amounting to R245 068
- Plant and Machinery amounting to R342 314.

The following classes of asset's resulted in a Loss on Disposal of Assets:

- Plant and Machinery - Cost resulted in a decrease amounting to R1 119 524.
- Plant and Machinery - Accumulated Depreciation resulted in a decrease amounting to R838 812.
- Furniture and Office Equipment - Cost resulted in a decrease amounting to R543 558.
- Furniture and Office Equipment - Accumulated Depreciation resulted in a decrease amounting to R411 729.

#### Payables from Exchange Transactions

During the year it was identified that an invoice from SALGA was not captured for membership fees in the 16/17 financial year. It was paid in the 18/19 financial year. This resulted in an increase in payables from exchange transactions for 17/18 amounting to R5 857.

During the year it was identified that invoices from the Service Provider (RData) were not captured. These invoices were paid after the 18/19 financial year, however related to the 17/18 financial year. This resulted in an increase in Payables from Exchange Transactions amounting to R469 165.

#### Consumer Deposits

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## Notes to the Annual Financial Statements

	2019 R	2018 R
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### 52. Prior-year adjustments and reclassifications (continued)

During the year it was identified that Consumed Deposits - Other were not recorded. This resulted in an increase amounting to R6 353.

#### Unspent Conditional Grants and Receipts

During the year it was identified that revenue amounting to R932 396 was not recognised. This resulted in a decrease in Unspent Conditional Grants and Receipts.

During the year it was resolved that prior year unspent balances should be written off. This resulted in a decrease of R663 057.

#### Accumulated Surplus

Various Receivables from Exchange and Non-exchange Transactions were incorrectly billed during the 17/18 financial year, and/or prior to the 17/18 financial year, which resulted in an increase amounting to R438 171.

During the year it was identified that an invoice from SALGA was not captured for membership fees in the 16/17 financial year. It was paid in the 18/19 financial year. This resulted in a decrease amounting to R5 857.

Correction of assets under construction resulted in an increase amounting to R1 222 706.

During the year it was identified that invoices from the Service Provider (RData) were not captured. These invoices were paid after the 18/19 financial year, however related to the 17/18 financial year. This resulted in a decrease amounting to R271 548.

Correction of Property, Plant and Equipment resulted in an increase amounting to R962 749.

During the year it was identified that hosting fees (external computer services) were incorrectly included in Inventory Consumables for the 16/17 financial year. This resulted in an increase amounting to R17 000.

During the year it was resolved that prior year unspent balances should be written off. This resulted in an increase of R663 057.

#### Service Charges

Various Receivables from Exchange Transactions were incorrectly billed during the 17/18 financial year, and/or prior to the 17/18 financial year, which resulted in a decrease amounting to R7 995.

#### Property Rates

Various Receivables from Non-exchange Transactions were incorrectly billed during the 17/18 financial year, and/or prior to the 17/18 financial year, which resulted in an increase amounting to R5 683.

#### Government Grants and Subsidies

During the year it was identified that revenue amounting to R932 396 was not recognised. This resulted in an increase in Government Grants and Receipts.

#### Bad Debts Written Off

Various Receivables from Non-exchange Transactions were written off during the 17/18 financial year, and/or prior to the 17/18 financial year, which resulted in an increase amounting to R81 860.

#### Depreciation and Amortisation

Correction of depreciation expense due to correction in PPE - Plant and Machinery, Community Assets and Furniture and Office Equipment Accumulated Depreciation - Depreciation which resulted in an increase amounting to R120 268.

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## Notes to the Annual Financial Statements

	2019 R	2018 R
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### 52. Prior-year adjustments and reclassifications (continued)

#### Contracted Services

During the year it was found that Motor Vehicles - Cost - Acquisitions was overstated by an amount of R32 200. This amount was reclassified to Contracted Services as it related to Maintenance of Unspecified Assets.

During the year it was identified that electricity cables, electricity meters, consumables and VIP toilets were incorrectly accounted for in the stores. This resulted in an adjustment amounting to R9 871, resulting in an increase in Contracted Services.

#### Inventory Consumed

During the year it was identified that electricity cables, electricity meters, consumables and VIP toilets were incorrectly accounted for in the stores. This resulted in an increase of R391 634.

#### Operational Cost

During the year it was identified that invoices from the Service Provider (RData) were not captured. These invoices were paid after the 18/19 financial year, however related to the 17/18 financial year. This resulted in an increase amounting to R140 000.

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## Notes to the Annual Financial Statements

	2019 R	2018 R
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### 52. Prior-year adjustments and reclassifications (continued)

#### Reclassifications

The Municipal Regulations on Standard Chart of Accounts (mSCOA) came into effect on 1 July 2017. The municipality has started with a process during the year to align items in the financial statements with the Item Segment of mSCOA. The result of this process was a reclassification and naming of items in the financial statements.

Over and above the mSCOA reclassifications, certain other comparative amounts have been reclassified.

The reclassification of 2018 audited amounts can be summarised as follows:

#### Sales of Goods

During the year the comparative figures' transactions were scrutinised and it was found that an amount of R941 was incorrectly classified as Sales of Goods instead of Fines, Penalties and Forfeits. The transaction related to overdue books fines.

#### Fines, Penalties and Forfeits

During the year the comparative figures' transactions were scrutinised and it was found that an amount of R941 was incorrectly classified as Sales of Goods instead of Fines, Penalties and Forfeits. The transaction related to overdue books fines.

#### Depreciation and Amortisation

During the year the comparative figures' transactions were scrutinised and it was found that an amount of R4 351 was incorrectly classified as Depreciation. The transactions related to Inventory Consumed.

#### Lease Rentals on Operating Lease

During the year the comparative figures' transactions were scrutinised and it was found that an amount of R30 657 was incorrectly classified as Inventory Consumed. The transactions related to Lease Rentals on Operating Lease.

#### Inventory Consumed

During the year the comparative figures' transactions were scrutinised and it was found that an amount of R4 351 was incorrectly classified as Depreciation. The transactions related to Inventory Consumed.

During the year the comparative figures' transactions were scrutinised and it was found that an amount of R30 657 was incorrectly classified as Inventory Consumed. The transactions related to Lease Rentals on Operating Lease.

### 53. Comparative figures

Certain comparative figures have been reclassified. Refer to note 52.

### 54. Risk management

#### Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

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	2019 R	2018 R
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### 54. Risk management (continued)

#### Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

<b>At 30 June 2019</b>	Less than 1 year	1 - 2 years	2 - 5 years	More than 5 years	Total
Payables from exchange transactions	8 823 682	-	-	-	8 823 682
Consumer deposits	674 022	-	-	-	674 022
	<b>9 497 704</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9 497 704</b>
<b>At 30 June 2018</b>	Less than 1 year	1 - 2 years	2 - 5 years	More than 5 years	Total
Payables from exchange transactions	8 269 823	-	-	-	8 269 823
Consumer deposits	597 053	-	-	-	597 053
	<b>8 866 876</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8 866 876</b>

#### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2019	2018
Cash and cash equivalents	6 551 627	10 169 928
Receivables from exchange transactions	2 708 353	2 007 568
Receivables from non-exchange transactions	7 690 835	8 335 478
Current portion of long-term receivables from exchange transactions	396	1 010

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## Notes to the Annual Financial Statements

	2019 R	2018 R
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### 55. Going concern

We draw attention to the fact that at 30 June 2019, the municipality had an accumulated surplus of R 185 490 051 and that the municipality's current assets exceed its liabilities by R7 292 937.

The municipality had a surplus of R8 605 651 (2018: Surplus of R6 850 521). A net surplus indicates that the municipality is able to reasonably contain its operating expenditure or collect its reasonably anticipated revenue.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality through the provision of equitable share, and additionally the accounting officer will continue to tightly manage the cashflow of the municipality.

The Municipality is fully implementing the Debt Collection and Credit Control Policy. Electricity is cut off on a monthly basis due to non-payment of service accounts. Outstanding amounts in the areas where the Municipality is not the supplier of electricity are harder to collect with normal credit control processes. The Municipality has appointed a local debt collector to visit the debtors in all the supplying areas.

Municipalities must surrender some unspent conditional grants to the National Treasury at year-end. It appears that the unspent conditional grants were more than the available cash, however, the municipality requests from National Treasury for these unspent grants to be rolled-over in order to spend monies on existing and new capital projects.

In many instances the real challenge faced by municipality's is a low revenue base and the tariffs are in some instances insufficient to sustain municipal functions, however in this instance, Laingsburg Municipality's revenue is seemingly within range when compared to the prior year. The only significant increase in revenue is monies received from government grants and subsidies.

The municipality will continue in operation and meet its statutory and financial obligations for the foreseeable future.



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				2019 R	2018 R
<b>56. Unauthorised expenditure</b>					
Opening balance as previously reported				4 920 943	271 147
Unauthorised expenditure - operating				4 086 831	3 616 194
Unauthorised expenditure - capital				209 248	1 033 602
<b>Closing balance</b>				<b>9 217 022</b>	<b>4 920 943</b>
<b>Unauthorised expenditure current year - operating</b>	<b>Actual</b>	<b>Final Budget</b>	<b>Variance</b>	<b>Unauthorised Expenditure</b>	
Vote 1 - Mayoral and Council	5 508 552	5 560 380	(51 828)	-	-
Vote 2 - Municipal Manager	3 035 029	3 727 630	(692 601)	-	-
Vote 3 - Corporate Services	8 734 578	7 086 650	1 647 928	1 647 928	-
Vote 4 - Budget and Treasury	12 966 099	13 810 160	(844 061)	-	-
Vote 5 - Planning and Development	328 678	962 800	(634 122)	-	-
Vote 6 - Community and Social Services	1 191 730	1 688 290	(496 560)	-	-
Vote 7 - Sport and Recreation	168 662	874 200	(705 538)	-	-
Vote 8 - Housing	209 193	193 440	15 753	15 753	-
Vote 9 - Public Safety	32 312 719	31 307 680	1 005 039	1 005 039	-
Vote 10 - Road Transport	9 673 189	10 547 680	(874 491)	-	-
Vote 11 - Waste Management	1 687 624	1 564 080	123 544	123 544	-
Vote 12 - Waste Water Management	2 033 955	2 389 680	(355 725)	-	-
Vote 13 - Water	4 534 997	3 600 160	934 837	934 837	-
Vote 14 - Electricity	8 510 970	8 151 240	359 730	359 730	-
	<b>90 895 975</b>	<b>91 464 070</b>	<b>(568 095)</b>	<b>4 086 831</b>	
<b>Unauthorised expenditure current year - capital</b>	<b>Actual</b>	<b>Final Budget</b>	<b>Variance</b>	<b>Unauthorised Expenditure</b>	
Vote 4 - Budget and Treasury	34 694	-	34 694	34 694	-
Vote 6 - Community and Social Services	11 055	-	11 055	11 055	-
Vote 9 - Public Safety	14 270	-	14 270	14 270	-
Vote 10 - Road Transport	149 229	-	149 229	149 229	-
Vote 12 - Waste Water Management	571 620	2 000 000	(1 428 380)	-	-
Vote 13 - Water	9 288 273	18 646 600	(9 358 327)	-	-
Vote 14 - Electricity	1 456 719	1 999 998	(543 279)	-	-
	<b>11 525 860</b>	<b>22 646 598</b>	<b>(11 120 738)</b>	<b>209 248</b>	
<b>57. Fruitless and wasteful expenditure</b>					
Opening balance as previously reported				43 044	14 823
Fruitless and wasteful expenditure current year				127 791	28 221
<b>Opening balance as restated</b>				<b>170 835</b>	<b>43 044</b>
<b>Closing balance</b>				<b>170 835</b>	<b>43 044</b>

# Laingsburg Local Municipality

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## Notes to the Annual Financial Statements

	2019 R	2018 R
<b>57. Fruitless and wasteful expenditure (continued)</b>		
Loss of interest on bank accounts	13 518	21 881
Penalties on late submission of VAT201 - SARS	81 669	-
Interest on late submission of VAT201 - SARS	32 604	2 993
Interest on late payment of suppliers	-	3 347
	<b>127 791</b>	<b>28 221</b>
<b>58. Irregular expenditure</b>		
Opening balance	30 961 026	30 961 026
Expenditure current year	7 920 810	13 627 488
<b>Opening balance as restated</b>	<b>38 881 836</b>	<b>44 588 514</b>
Add: Irregular Expenditure - prior period	13 627 488	-
<b>Closing balance</b>	<b>52 509 324</b>	<b>44 588 514</b>
<b>Analysis of expenditure awaiting condonation per age classification</b>		
Current year	7 920 810	13 627 488
Prior years	44 588 514	30 961 026
	<b>52 509 324</b>	<b>44 588 514</b>

# Laingsburg Local Municipality

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## Notes to the Annual Financial Statements

	2019 R	2018 R
<b>58. Irregular expenditure (continued)</b>		
<b>Details of irregular expenditure</b>		
The appointment of the previous municipal manager, Mr. SC Pieterse, was not in accordance with section 54A(2) of the Municipal Systems Act, paragraph 2 of Annexure B of the Local Government: Regulations on Appointment and Conditions of Employment of Senior Managers and paragraph 1 of Annexure B of the Local Government: Regulations on Appointment and Conditions of Employment of Senior Managers. Based on the inspection of the court order, case number 21375/17 dated 14/12/2017 made in the High court of South Africa, the appointment of Mr. SC Pieterse was unlawful and contrary to the applicable statutory and regulatory provisions, and accordingly null and void.	-	356 507
Mr. KJ Gertse was promoted internally without following the municipality's official recruitment process (which involves advertising the position internally). The promotion letter, dated 7 July 2017 and approved by the then municipal manager, Mr. SC Pieterse, revealed that Mr KJ Gertse was promoted to Head of Supply Chain Management (salary scale T-13) effective from 1 July 2017. This appointment is in contravention of section 67(1)(e) of the Municipal Systems Act.	-	25 135
Expenditure declared as Irregular during previous Auditor-General Compliance Audits	7 605 465	10 100 814
Procurement was done without involving SCM Unit - Formal Written Price Quotations	-	146 268
Procurement was done without involving SCM Unit - x3 Quotations not obtained	152 624	135 577
No advertisement regarding local content was made and no declaration of the minimum stipulated threshold for local content was submitted. This resulted in material non-compliance and the expenditure incurred in respect of contract - T02/2017/2018: Construction of Bulk Raw Water Pipeline from Southkloof Reservoir to Town Reservoir in the 2017/18 financial year, to be regarded as irregular expenditure.	-	2 643 462
Although only 2 quotations were received, no evidence could be provided for audit purposes that the reasons were recorded and approved by the CFO or a designated official. Since no reason was recorded why it was not possible to obtain at least 3 quotations, the reasonableness thereof could not be confirmed. This results in non-compliance with SCM regulation 17(1) (c) as well as irregular expenditure. Since no expenditure was however incurred during the 2017/18 financial year, no irregular expenditure was incurred in this regard during the financial year under review that needs to be reported in the AFS.	-	-
The total payments made in terms of this quotation exceeded the quotation amount with R5 833.80. Since no approval was obtained from a designated official to exceed the total amount of the quotation, this is in contradiction with SCM regulation 5 and the expenditure is regarded as irregular expenditure.	-	156 372
During the inspection of this payment it was found that the municipality did not obtain 3 quotations as required by SCM regulation 17(1) (a). In the approval for not obtaining 3 quotations the CFO indicated that since this supplier installed the equipment, they should also maintain it. However, no evidence could be provided that the municipality tested the market to determine if any other service provider could have serviced the machine. This is therefore regarded as irregular expenditure since it is in contravention of SCM regulation 17(c) as the reason for not obtaining three quotes is not reasonable.	-	20 036
During the inspection of this payment it was found that the municipality did not obtain 3 quotations as required by SCM regulation 17(1) (a). In the approval for not obtaining 3 quotations the CFO indicated that since BMW is the original supplier it must be serviced by the original company. Upon inspection of the related invoice it was noted that the mileage of the vehicle is 279 455km and therefore it is evident that the vehicle is not under warranty anymore or has a service plan. Furthermore, it was noted that the original quote from this supplier amounted to R4 592.97 while the invoice amounted to R14 567.70. This payment is therefore regarded as irregular expenditure since it is in contravention of SCM regulation 17(c) as the reason for not obtaining three quotes is not reasonable.	-	14 568

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## Notes to the Annual Financial Statements

	2019 R	2018 R
<b>58. Irregular expenditure (continued)</b>		
During the inspection of this payment it was found that the municipality did not obtain 3 quotations as required by SCM regulation 17(1) (a). In the approval for not obtaining 3 quotations the following reason was provided: "Council instructed the drilling of the borehole in terms of Council Resolution 14.5 of General Council meeting held on 25th April 2018." This is in contravention with par. 11 of schedule 1 of the Municipal Systems Act, Act No. 32 of 2000. In addition, the reason for not obtaining 3 quotations is not reasonable and therefore this is regarded as non-compliance with SCM regulations 17(c) and 36(2) and the expenditure incurred is regarded as irregular expenditure. One of the Directors is in the service of the state as Councillor at Laingsburg Municipality	-	28 750
	162 721	-
	<b>7 920 810</b>	<b>13 627 489</b>
<b>59. Additional disclosure in terms of Municipal Finance Management Act</b>		
<b>Contributions to organised local government - SALGA</b>		
Opening balance	868 357	682 500
Current year subscription fee	500 000	500 000
Amount paid - current year	(1 162 550)	(320 000)
Prior period correction	-	5 857
	<b>205 807</b>	<b>868 357</b>
<b>Material losses</b>		
Opening balance	4 329 515	-
Electricity	1 491 186	1 058 383
Water	1 153 766	3 271 132
	<b>6 974 467</b>	<b>4 329 515</b>
Laingsburg experienced an average electricity loss of R1 491 186 (2018: R1 058 383.86) in the 2018/2019 financial period. The percentage loss during distribution for the current year was 11.15% (2018: 9.19%).		
Laingsburg experienced an average water loss of R1 153 766 (2018: R 3 271 132.16) for the 2018/2019 financial period. The percentage loss during distribution for the current year was 63.48% (2018: 61.36%).		
<b>Audit fees</b>		
Opening balance	(10 312)	6 188
Current year subscription fee	831 352	964 810
Amount paid - current year	(958 751)	(981 310)
	<b>(137 711)</b>	<b>(10 312)</b>
<b>PAYE, SDL and UIF</b>		
Opening balance	4 251	117 114
Current year subscription fee	3 637 497	3 086 690
Amount paid - current year	(3 624 556)	(3 199 553)
	<b>17 192</b>	<b>4 251</b>

# Laingsburg Local Municipality

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Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R	
<b>59. Additional disclosure in terms of Municipal Finance Management Act (continued)</b>			
<b>Pension and Medical Aid Deductions</b>			
Opening balance	743 387	149 916	
Current year subscription fee	5 229 086	4 825 279	
Amount paid - current year	(4 329 979)	(4 231 808)	
	<b>1 642 494</b>	<b>743 387</b>	
<b>VAT</b>			
VAT receivable	3 914 615	2 915 070	
<b>Councillors' arrear consumer accounts</b>			
The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2019:			
30 June 2019	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
I Brown	395	54 667	55 062
L Potgieter	1 622	-	1 622
	<b>2 017</b>	<b>54 667</b>	<b>56 684</b>
30 June 2018	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
I Brown	41 271	16 289	57 560
BA Kleinbooi	3 034	36 583	39 617
	<b>44 305</b>	<b>52 872</b>	<b>97 177</b>
During the year the following Councillors' had arrear accounts outstanding for more than 90 days.			
30 June 2019	Highest outstanding amount	Aging (in days)	
I Brown	55 602	210	
30 June 2018	Highest outstanding amount	Aging (in days)	
I Brown	10 522	120	
BA Kleinbooi	34 788	120	
	<b>45 310</b>	<b>240</b>	

# Laingsburg Local Municipality

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Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R
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### 60. Deviation from supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Accounting Officer and noted by Council. The expenses incurred as listed hereunder have been condoned.

#### Type of deviation

If such goods or services are produced or available from a single provider only (Reference to SCM Regulations 36(1)(a)(ii))	151 809	42 829
In any other exceptional case where it is impractical or impossible to follow the official procurement processes (Reference to SCM Regulations 36(1)(a)(v))	5 935 098	1 074 203
In an emergency (Reference to SCM Regulations 36(1)(a)(i))	3 416 645	-
	<b>9 503 552</b>	<b>1 117 032</b>

### 61. Budget differences

#### Material differences between budget and actual amounts

Material differences between the adjusted budget and actual amounts are deemed material if it differs with more than 10%.

Below are the reasons explained for these material differences:

#### STATEMENT OF FINANCIAL POSITION

##### ASSETS

#### *Receivables from exchange and non-exchange transactions*

Due to the write off of long outstanding debtors the balance of outstanding debtors decreased significantly.

During the compilation of the annual financial statements, the allowance for impairment was calculated and was not that significant compared to the previous financial year, as a reversal of impairment loss were calculated which is a clear indication of a decrease in outstanding debtors.

#### *VAT receivable*

A VAT reconciliation was performed during the 2018/19 financial year which resulted in numerous VAT adjustments. Proper VAT allocations were not performed during the year and was identified during the VAT reconciliation.

#### *Cash and cash equivalents*

Due to the increase in revenue and collection of revenue, more cash was generated during the year.

##### LIABILITIES

#### *Unspent conditional grants and receipts*

The municipality received additional grants during the financial year which they did not budget for. The reason being that these grants were determined based on the needs and service delivery to all consumers as well as to uphold the infrastructure of Laingsburg.

#### *Provisions*

Actuarial Valuation of the Long Service Award liability and Post Retirement Medical Aid subsidy liability as well as the Provision for the Rehabilitation of the Landfill Site is not a funded arrangement, and the purpose of the evaluation is to enable the Municipality to make an appropriate Financial Statement provision.

##### NET ASSETS

# Laingsburg Local Municipality

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Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

	2019 R	2018 R
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### 61. Budget differences (continued)

#### *Reserves and accumulated surplus*

The Municipality had old reserves which did not have any movement for several years. Upon investigation it was determined that these reserves were created for the off-setting of depreciation and amortisation on assets funded from Government and public grants. The transactions were never captured as such, and therefore a decision was made to write off these reserves against the accumulated surplus account. Furthermore insufficient cash resources resulted in the Capital Replacement Reserve not being cash funded and it was also written off against the accumulated surplus account.

### STATEMENT OF FINANCIAL PERFORMANCE

#### REVENUE

##### *Service charges*

Water consumption was higher than anticipated during the budget process.

Refuse and sewerage were levied at a fixed rate per property. The Municipality incorrectly calculated revenue during the budget process.

##### *Agency services*

An increase in agency services due to more licences renewed and issued during the year than anticipated.

##### *Licences and permits*

More licences and permits were issued during the year than anticipated.

##### *Interest earned on external investments*

Less money available for investments than anticipated.

##### *Interest earned on outstanding receivables*

Due to the write off of outstanding debtors, less interest was received during the year.

##### *Operational revenue*

Budget was allocated to other revenue and therefore the comparison was made between the total of operational revenue, actuarial gains for the year as well as sales of goods and services which were not budgeted for separately. Actuarial Valuation of the Long Service Award liability and Post Retirement Medical Aid subsidy liability is not a funded arrangement, and the purpose of the evaluation is to enable the Municipality to make an appropriate Financial Statement provision.

##### *Government grants and subsidies*

During the budget process expenditure for several roll-over projects were included to be recognised as revenue, however several of these projects were not completed during the year and therefore claims for these projects were not completed.

#### EXPENDITURE

##### *Inventory consumed*

Due to better record keeping of stores transactions, the issue of materials and supplies were recorded more accurately compared to the previous financial year.

##### *Depreciation and amortisation*

# Laingsburg Local Municipality

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## Notes to the Annual Financial Statements

	2019 R	2018 R
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### 61. Budget differences (continued)

During the 2018/19 financial year, the Fixed Asset Registers were updated. Depreciation was calculated accordingly. Despite the amount which was budgeted for, the depreciation charge for all assets are dependant on the outcome of the Fixed Asset Registers being updated to agree to the financial statements. Item of Furniture and Office Equipment, Plant and Machinery and Motor Vehicles were disposed and impaired during the year.

#### *Lease rentals on operating lease*

No provision for lease rentals were made.

#### *Finance costs*

A small provision for finance costs relating to interest on outstanding accounts were made, however due to late submission of VAT201 returns, the Municipality incurred additional interest. No provision was made for employee benefits and landfill sites. The related expenses are dependant on the outcome of the Actuarial Valuations and report on the rehabilitation of landfill sites.

#### *Contracted services*

An increase in contracted services during the year was due to the late submission of the 2017/18 Annual Financial Statement and the implementation of mSCOA. The Municipality had to appoint consultants to assist with the financial system as well as the reclassification of expenditure and compilation of the Annual Financial Statements.

#### *Operational cost*

Due to the implementation of mSCOA, expenditure were reclassified accordingly. Over and above the comparison between the total budget and total actual expenditure is in line with the budget.

#### *Transfers and subsidies paid*

Due to the implementation of mSCOA, expenditure previously allocated as other expenditure had to be reclassified as transfers and subsidies paid, thus resulting in an increase.

### CASH FLOW STATEMENT

#### NET CASH FROM OPERATING ACTIVITIES

##### *Sale of goods and services*

Actual revenue from services were more than budgeted due to debt collection and revenue enhancement strategies. The budget was prepared on the assumption of a lower debt collection rate, than what was actual at year end.

##### *Taxation*

VAT receivable for the year increased due to numerous VAT corrections. VAT was included in revenue, expenditure and assets.

##### *Grants and subsidies received*

During the budget process expenditure for several roll-over projects were included to be recognised as revenue, however several of these projects were not completed during the year and therefore claims for these projects were not completed.

##### *Interest*

Interest income is less than the budget amount due to interest earned from outstanding receivables from exchange and non-exchange transactions (non-cash item) included in the budget amount, whereas the interest income per the cash flow statements only includes cash items.

##### *Suppliers and employees*



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## Notes to the Annual Financial Statements

	2019 R	2018 R
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### 61. Budget differences (continued)

Suppliers and employees were sufficiently budgeted for.

#### NET CASH FROM INVESTING ACTIVITIES

##### *Purchase of property, plant and equipment*

Capital expenditure is in line with the cash flow budget.

#### NET CASH FROM FINANCING ACTIVITIES

##### *Repayment of borrowings*

Finance leases were sufficiently budgeted for.

##### *Consumer deposits*

An increase in consumer deposits resulted due to more deposit top ups during the financial year.